Ballarat Goldfields NL

ACN 006 245 441

Non-Renounceable Rights Issue
of 1 new ordinary share for every 1 ordinary share held
at 2.3 cents per share

and

Public Issue of a minimum of 140,000,000 and a maximum of 175,000,000 new ordinary shares at 2.5 cents per share

to raise

a combined minimum of $6,377,926

PROSPECTUS
Rights Issue and Public Issue

Closing Dates:	Rights Issue	23 SEPTEMBER 2002
	Public Issue	25 SEPTEMBER 2002

Rights Issue arranged and underwritten and Public Issue arranged by

RFC
CORPORATE FINANCE LTD

IMPORTANT NOTICE

An investment under this Prospectus should be considered speculative.
This document should be read in its entirety.
If you are in doubt as to the course of action you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

Corporate Directory

Current Directors

John B. Roberts, *Chairman*
Andrew A. Woskett, *Managing Director*
Kerry G. Penna

Messrs Roberts, Woskett and Penna have confirmed their intention to resign upon completion of the Issues and have agreed to nominate the Proposed New Directors to the Ballarat Goldfields Board. Mr Woskett has agreed to the termination of his role as Managing Director of Ballarat Goldfields and all executive roles upon completion of the Issues.

Proposed New Directors

Colin L. Smith, *Designated Chairman*
Richard Laufmann, *Designated Managing Director*
Nicholas Mather

Each of the Proposed New Directors has consented to be appointed to the board following the successful completion of the Issues. The Current Directors have confirmed they will invite each of the Proposed New Directors to join the Board immediately subsequent to the successful completion of the Issues.

Registered Office

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University Drive
Mt Helen VIC 3350
Tel: 03 5333 5444
Fax: 03 5331 7927
www.ballarat-goldfields.com.au
ASX Code: BGF

Arranger and Underwriter of Rights Issue and Arranger of Public Issue

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Sydney NSW 2000
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www.rfc.com.au

Solicitors

Baker & McKenzie
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525 Collins Street
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
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565 Bourke Street
Melbourne VIC 3000
Investor Enquiry's Tel: 03 9615 5970
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Independent Geologist

SRK Consulting
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Enquiries

Enquiries should be directed to:

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An Entitlement and Acceptance Form for the Rights Issue is an insert to this document

Rights Issue Summary

Issue price of Rights Issue Shares
2.3 cents

Entitlement of Eligible Shareholders
1 New Share for every 1 Share held

Number of Rights Issue Shares
125,127,220

Amount to be raised
$2,877,926

Public Issue Summary

Issue price of Public Issue Shares
2.5 cents

Minimum number of Public Issue Shares to be issued
140,000,000

Minimum amount to be raised
$3,500,000

Over subscriptions
The Company reserves the right to accept over subscriptions for up to 35,000,000 Public Issue Shares ($875,000).

Indicative Dates

Prospectus lodged with ASIC/ASX
20 August 2002

Record Date to determine entitlement to New Shares
29 August 2002

Opening date
2 September 2002

Closing dates
Rights Issue **23 September 2002**
Public Issue **25 September 2002**

Anticipated allotment of New Shares
2 October 2002

Anticipated commencement of trading of New Shares on ASX
11 October 2002

Important Information

The above dates are indicative only. Subject to the Listing Rules and consent of the Arranger, Ballarat Goldfields NL reserves the right to vary this timetable.

This Prospectus is dated 20 August 2002. A copy of this Prospectus has been lodged with ASIC and the ASX. Neither ASIC or the ASX takes responsibility for the content of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Any person who comes into possession of this Prospectus should observe any restrictions that are applicable to them. The Rights Issue is restricted to persons having residential addresses in Australia or New Zealand on the Record Date. The distribution of this Prospectus in places outside Australia and New Zealand may be restricted by law and persons who obtain this Prospectus should seek advice on and observe those restrictions. Any failure to comply with those restrictions may violate applicable securities laws.

No person is authorised to give information or to make representation concerning the Offers. Any information or representation concerning the Offers that is not contained in this Prospectus should not be relied upon as having been authorised by the Company or its Directors.

Before deciding to accept their entitlement under the Rights Issue or to subscribe for Shares in terms of the Public Issue, it is recommended that Shareholders and other parties read this Prospectus in its entirety and seek advice from their stockbroker, solicitor, accountant or other professional adviser immediately. An investment under this Prospectus should be considered speculative.

All fees, costs and expenditures referred to in the Prospectus are exclusive of Goods and Services Tax (GST), unless the context clearly requires an alternative interpretation.

1 Letter From the Designated Chairman

20 August 2002

Dear Investor

Ballarat Goldfields has been through a difficult period recently with respect to decisions concerning its future direction. At the two Shareholder's meetings held in June, it was decided that the Company should retain its gold tenements and proceed with an exploration and development program.

The Company needed to be recapitalised and RFC Corporate Finance Ltd offered to provide underwriting support for a Rights Issue and arrange a Public Issue of New Shares. The Current Directors accepted the proposal because it provided the best opportunity to recapitalise the Company, whilst also affording existing shareholders the opportunity to retain their proportionate interest in the Company.

The key attributes of the capital raising Offers now made by the Company are:

- The Share Offers comprise a Rights Issue in conjunction with a Public Issue to raise sufficient funds (at least $6.4 million) to enable the Company to settle all existing debts and provide a net cash balance of at least $2.7 million after full settlement of such debts and costs of the Issues;

- The Rights Issue, which is underwritten by RFC, is open to Eligible Shareholders who may subscribe for 1 New Share for each existing Share held (as recorded on the enclosed Entitlement and Acceptance Form);

- The Public Issue is open to the general public, including Shareholders; and

- Your Current Directors and the Proposed New Directors believe the Issues are well priced to attract support at 2.3 cents per Share for the Rights Issue and at 2.5 cents per Share for the Public Issue.

As a condition of the underwriting arrangements, the Current Directors have agreed to invite myself and two additional directors, Richard Laufmann and Nicholas Mather, onto the Board immediately following the allotment of the New Shares. All three of the existing directors have agreed to stand down from the board immediately subsequent to the appointment of the four Proposed New Directors.

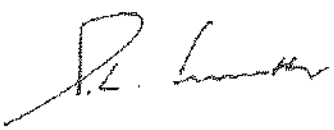
The Proposed New Directors have agreed that Richard Laufmann will take the position of Managing Director subsequent to the completion of the Share Issues.

The Current Directors have announced that the Company is seeking to dispose of its Oztrak Business. A sale process has commenced and it is anticipated that the business will be disposed in the current financial year.

The Proposed New Directors have commenced preliminary planning for the resumption of geological review work. The initial focus under the new Board of Directors will be the reassessment of the available geological information, including the historical mining records, with the objective of developing geological models which will provide a framework within which to undertake the physical exploration. This will require some patience on your behalf, but is the essential prerequisite to the success of the ultimate development. Details of the future strategy are included in this Prospectus which you are urged to read in its entirety.

On behalf of the Current Directors and the proposed new Board, I look forward to your support and encourage you to subscribe for the Shares offered under this Prospectus. The Company's gold tenements have tremendous potential and the new Board will focus on unlocking their value for the benefit of all Ballarat Goldfields shareholders.

Yours Sincerely



Colin Smith
Designated Chairman

2 Details of the Issues

2.1 Description of the Rights Issue

Ballarat Goldfields is making a Non-Renounceable Rights Issue of 125,127,220 New Shares to Eligible Shareholders at an issue price of 2.3 cents per Share. Eligible Shareholders are entitled to subscribe for one New Share for every Existing Share held (1:1) rounded up to the next multiple of 10 (so as not to create entitlements with fractions of a cent).

Only those Shareholders reflected on the Register on the Record Date, subject to the exception described in section 10.14, will be entitled to participate in the Rights Issue.

The underwriting of the Rights Issue is conditional upon the Public Issue reaching the Minimum Subscription.

2.2 Description of the Public Issue

In conjunction with the Rights Issue, Ballarat Goldfields is making a Public Issue of a minimum of 140,000,000 New Shares to the general public, including shareholders, at an issue price of 2.5 cents per Share. RFC has undertaken to use its reasonable endeavours to ensure the success of the Public Issue.

The allottees under the Public Issue will be identified or selected based on applications received, at the Directors' discretion in consultation and agreement with the Arranger. The Company will accept applications for Shares pursuant to the Public Issue from existing Shareholders in priority to anyone else and will issue them in a fair and equitable manner.

The Company will limit the number of Shares it issues to a Shareholder under the Public Issue to the higher of 5% of all the Public Issue Shares issued and the number the shareholder would be entitled to under a pro rata issue of them.

The Company reserves the right to accept over subscriptions under the Public Issue of up to 35,000,000 Shares.

No Shares will be allotted or issued under either the Public Issue or the Rights Issue unless the Minimum Subscription for the Public Issue is reached.

2.3 Shareholder Approval

Shareholder approval is required before any Shares can be allotted pursuant to the Public Issue (and hence the Rights Issue). A notice dated 9 August 2002 calling a shareholders meeting to be held on 10 September 2002 to seek this approval has been dispatched to Shareholders.

2.4 Record Date

The Record Date for determining Eligible Shareholders for the Rights Issue is 5.00pm on 29 August 2002.

2.5 Opening and Closing Dates

Eligible Shareholders may return their duly completed Entitlement and Acceptance Forms and applicants under the Public Issue their duly completed Application Forms, to the Company's share registry, Computershare Investor Services Pty Ltd, Level 12, 565 Bourke Street, Melbourne, Victoria, 3000 on or after the Opening Date, but no later than the Closing Date.

Opening Date	2 September 2002
Closing Date: Rights Issue	23 September 2002
Closing Date: Public Issue	25 September 2002

The Directors, in consultation and agreement with the Arranger, reserve the right to extend the closing date should it be considered necessary.

2.6 Payment

An application for New Shares must be accompanied by payment in full at the rate of 2.3 cents for each New Share applied for in terms of the Rights Issue and 2.5 cents for each New Share applied for in terms of the Public Issue.

Shareholders may subscribe for their entitlement under the Rights Issue either wholly or in part. The number of Public Issue Shares able to be applied for is not limited other than as noted under section 2.2 of this Prospectus.

Cheques or bank drafts must be in Australian currency, drawn on a bank in Australia and made payable to "Ballarat Goldfields NL" and marked "Not Negotiable". Applicants should not forward cash.

2.7 Allotment and Issue

The Company expects to allot the New Shares on 2 October 2002. Holding statements in relation to the New Shares are expected to be dispatched on 4 October 2002.

The Directors reserve the right in consultation and agreement with the Arranger, with respect to any application received under the Public Issue, to allot Shares in full, or any lesser number or to decline any application. Surplus application money will be refunded in full without accrued interest.

It is the responsibility of the applicants to both the Rights Issue and Public Issue to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements do so at their own risk.

2.8 Purpose of the Issues

Ballarat Goldfields requires the proceeds of the Issues to:

- settle debts which it has incurred;
- fund the recommencement of the geological exploration program on its gold properties (see section 5 of this Prospectus for details); and
- fund mine maintenance and corporate overheads whilst the geological program is conducted.

Funds from the Issues will also be used to pay the costs of the Issues.

The proposed distribution of the funds is summarised below:

Use of Funds	Amount $
Settlement of debts as of 30 June 2002 net of available cash holding and recoverable debts at that date	3,015,264
Expected costs of the Issues to be settled in cash	604,696
Executive termination benefit	100,000
Funds for geological work, mine maintenance and corporate costs	[1]2,657,966
Total Funds Receivable	**6,377,926**

The new funds raised together with the existing available funds are expected to be sufficient to cover the Company's costs until 31 December 2003. Approximately $900,000 has been budgeted for work envisaged under the geological program. Mine maintenance and corporate expenditure is anticipated on average to be approximately $95,000 per month. This excludes the Oztrak Business, which is planned to be sold (refer section 4.4).

Refer to section 5 of this Prospectus for details of the geological expenditure program.

2.9 Future Additional Equity Issues

As with the majority of mineral exploration companies it is anticipated that Ballarat Goldfields will find it necessary in due course to seek further equity through the issue of further Shares as exploration and development of the gold tenements progresses.

The additional funds will be necessary to fund further geological programs, project development, mine maintenance and corporate costs. The timing and amount of future fund raising cannot be accurately estimated until the initial proposed geological work set out in section 5 of this Prospectus is completed.

The price of future Share issues will depend upon the results of geological work and market factors such as the gold price and investor demand for Shares when funds are required.

2.10 Directors' Intentions

The Company has been advised that it is the intention of the Current Directors to take up their full entitlements under the Rights Issue.

With respect to the Proposed New Directors, only related parties of Nicholas Mather have an entitlement under the Rights Issue (refer section 10.10). Mr Mather has advised that all his related parties intend to take up their full entitlements under the Rights Issue.

Each of the Proposed New Directors is sub-underwriting the Rights Issue and are likely to be issued with New Shares as detailed in section 10.8.

2.11 Arranging and Underwriting the Issues

The Issues are arranged and the Rights Issue component underwritten by RFC. Full details of fees and expenses payable to RFC are set out in section 10.13 of this Prospectus.

In the event that Eligible Shareholders elect not to fully subscribe for Shares under the Rights Issue, resulting in a Shortfall, RFC will, subject to the Public Issue obtaining the Minimum Subscription and the provisions of the Underwriting Agreement, lodge applications and money for any Shortfall amount.

2.12 ASX Listing

New Shares to be allotted will rank equally with Existing Shares and application for admission of the New Shares to quotation on the ASX will be made to the ASX within 7 days of the date of this Prospectus.

If approval is not granted by the ASX within three months of the date of this Prospectus, the Company will not allot or issue any New Shares and will repay all application monies.

Similarly, if the ASX does not agree to the lifting of suspension of trading of the Company's Shares, the Company will repay all application monies.

[1] Differs marginally from the $2,682,293 pro-forma cash balance in section 6 of this Prospectus because of the impact of known trading results subsequent to 30 June 2002.

2.13 Market Prices of Ordinary Shares

The last traded price for Ballarat Goldfields Shares was 2.5 cents on 23 October 2001 before trading was suspended. During the three months prior to that date the shares in Ballarat Goldfields traded on the ASX within the range of 1.4 cents to 3.6 cents each.

Due to the length of time elapsed since Ballarat Goldfields Shares were last traded on the ASX and the significant changes in the gold price, market conditions and other price sensitive information that have occurred since that time, the actual performance of trading upon relisting cannot be predicted.

2.14 No Rights Trading

Entitlements to Shares pursuant to the Rights Issue are Non-Renounceable and hence cannot be traded on the ASX.

2.15 No Minimum Rights Issue Subscription

There is no minimum subscription amount Under the Rights Issue. Shareholders may subscribe for their entitlement either wholly or in part.

2.16 Application Monies held in Trust

Until the issue and allotment of New Shares under this Prospectus, acceptance monies will be held in trust in a separate bank account opened and maintained for that purpose only.

2.17 Taxation

It is the responsibility of all persons to satisfy themselves of the particular tax treatment that applies to them by consulting their own professional tax advisers before investing in the New Shares. Taxation consequences will depend on particular circumstances. Ballarat Goldfields does not accept any liability or responsibility in respect of any taxation consequences connected with an investment in the New Shares.

3 Action Required by Applicants

3.1 Action Required by Shareholders Subscribing for Shares under the Rights Issue

3.1.1 What Shareholders may do

Eligible Shareholders may take up all or part of their entitlement.

The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form that accompanies this Prospectus.

If shareholders take no action in respect to their entitlement they will forgo their right to subscribe for New Shares under this Prospectus.

You should carefully read this Prospectus and the application lodgment instructions before applying for any New Shares.

3.1.2 If you wish to take up your entitlement you should:

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions on the reverse of the form.

The completed form and cheque must be received at the address specified on the Entitlement and Acceptance Form by no later than 5.00pm on the Closing Date of 23 September 2002.

3.1.3 If you do not want to take up your entitlement

If you do not wish to take up your entitlement, then no further action is required. As the Rights Issue is non-renounceable, the benefit of this entitlement cannot be transferred, and any part of the entitlement not taken up will lapse.

3.2 Action Required by Applicants to the Public Issue

3.2.1 What applicants should do

You should carefully read this Prospectus and the application lodgment instructions before applying for any New Shares under the Public Issue.

3.2.2 If you wish to subscribe for Shares

Complete the accompanying Public Issue Application Form in accordance with the instructions to the Application Form.

Applications must be for a minimum of 20,000 Shares ($500) and thereafter in multiples of 4,000 Shares ($100).

The completed Application Form and cheque must be received at the address specified on the Application Form by no later than 5.00pm on the Closing Date of 25 September 2002, or any subsequent date as may be determined by the Company.

3.2.3 If you do not want to subscribe for Shares under the Public Issue

If you do not wish to take up shares under the Public Issue, then no further action is required. Failure to subscribe for shares under the Public Issue will not affect a Shareholder's entitlement under the Rights Issue.

4 Ballarat Goldfields NL - the Company

4.1 General Background

Ballarat Goldfields NL (BGF) is a public listed gold exploration and technology company based in Ballarat, Victoria. BGF was suspended from official quotation on the ASX on 24 October 2001.

Following listing in 1984, the Company became an active explorer of the historic Ballarat East Goldfield.

The Ballarat goldfields collectively have yielded around 12 million ounces of gold historically, with some 9.5 million ounces derived from alluvial operations and some 2.5 million from underground quartz mining operations, which concluded around 1918.

In 1994 the Company embarked upon the first development of underground access to and exploration of the Ballarat East historic goldfield since its closure. In 1994 construction of a production sized ramp at 1:7 gradient commenced to access a sizable drill delineated gold resource located below historic mine workings. However, due to funding constraints, development activity ceased during 1997. During 2000-2001 the structural geology of the Ballarat East goldfield was extensively reviewed. This led to the formation of a revised structural model of the field called the "enriched zone" model.

In early 2000, Ballarat Goldfields acquired Oztrak Group Pty Limited, a private company that specialises in the development and sale of telemetry and telematics, including the integration of wireless data communications systems and global positioning technology.

4.2 Return of Focus to Gold

Late in 2000 the Current Directors proposed a strategy whereby Ballarat Goldfields would sell its gold project interests. The proceeds would have been applied to retire debt and the Company would then have focussed exclusively on the Oztrak Business. A conditional sale agreement was entered into on 3 August 2001.

The proposed sale of the gold assets required Shareholder approval. A number of parties put alternate proposals to Shareholders in May 2002 in advance of the general meeting to vote on the sale of the gold assets. Each of these proposals involved a recapitalisation of Ballarat Goldfields to enable it to keep its gold assets. Each of the proposals also included changes to and/or additional appointments being made to the Ballarat Goldfields Board.

Shareholders did not approve the sale of the gold assets and whilst none of the recapitalisation proposals obtained the required support for advancement, it was clear that the majority of Shareholders favoured the Company being recapitalised and returning its focus to the exploration and further development of its gold assets.

In response, the Current Directors sought proposals from various parties to assist the Company recapitalise and recommence exploration work on its gold properties. This combined Rights Issue and Public Issue is the result of the Current Directors decision to proceed with an arranging and underwriting proposal put forward by RFC.

The initial proposal negotiated with BGF on 14 June 2002 was for RFC and Eureka Capital Partners Ltd to jointly underwrite a 3 for 2 Rights Issue. The decision to change the appointment to RFC acting as the single underwriter arose due to time limitations on Eureka's key executives during July and August. Eureka and RFC separately agreed that Eureka would move from a lead-underwriting role to a role as a Sub-Underwriter to RFC so as to enable the Issues to progress to completion by the end of September 2002.

The Public Issue was then proposed in order to broaden the focus of potential investor support.

4.3 Future Gold Strategy

Ballarat Goldfields' future gold strategy is detailed in section 5 of this Prospectus.

The gold projects will be the Company's core focus for the future (see also Oztrak disposal plans below).

4.4 Oztrak Disposal Plans

It is evident that a technology business such as Oztrak does not fit comfortably within the same corporate structure as a gold exploration and development company.

Consequently the Current Directors have decided to dispose of the Oztrak Business.

Nevertheless, the Current Directors are of the opinion that Oztrak has a sound product that should be able to be developed into a profitable business under different ownership and with the required level of financial support.

Various disposal options for Oztrak are currently being reviewed in order to exit BGF's investment, to the Company's best advantage.

It is presently anticipated that the disposal of Oztrak will be concluded during the current financial year. The consolidated statement of financial position at 30 June 2002 includes assets totaling $0.81m and liabilities of $1.68m belonging to Oztrak. The Current Directors consider that it is not presently possible to estimate the impact of Oztrak's disposal on the consolidated statement of financial position.

4.5 Capital Structure

The following table sets out the Company's capital structure both pre and post successful completion of the Issues.

Issued Ordinary Shares	**Number**
Number of ordinary Shares at the date of this Prospectus	125,127,220
New Rights Issue Shares offered by this Prospectus	125,127,220
Minimum new Public Issue Shares in terms of this Prospectus (Note 1)	140,000,000
Anticipated New Shares issued to RFC in settlement of fees as Arranger of the Issues (Note 2)	12,500,000
Executive termination benefit payable to A. Woskett (Note 3)	5,000,000
Estimated Pro forma post Issues number of ordinary Shares	407,754,440
Share Options expiring 30 September 2006 exercisable at 3.45 cents each issued to RFC (Note 4)	5,000,000

Note 1 – The maximum Public Issue Shares that may be issued is 175,000,000.

Note 2 - The Company has the right to issue Shares in lieu of making payment of the Arranger fees and expenses payable to RFC in its role as Arranger to the Issues at a price of 2.0 cents per Share. RFC's fees and expenses as Arranger are expected to be approximately $250,000. In view of the Company's exploration expenditure requirements, it may be desirable to conserve the cash position and issue Shares in lieu of paying cash. The issue of Shares to RFC in lieu of payment is subject to ratification by Shareholders.

Note 3 – As set out in section 10.4, 5,000,000 fully paid ordinary Shares will be issued to Mr Andrew Woskett in lieu of the termination payments specified in his employment contract, at a deemed issue price of 2.3 cents per share, provided the issue is approved by shareholders on 10 September 2002.

Note 4 – As set out in section 10.13, 5,000,000 options exercisable at 3.45 cents each expiring on 30 September 2006 will be issued to RFC.

The effect of the Issues on the financial position of the Company is detailed in section 6.1.

4.6 New Board of Directors

The successful completion of the Issues will be followed by substantial changes to the Ballarat Goldfields Board of Directors including the appointment of a new Chairman (Colin Smith), new Managing Director (Richard Laufmann) and new non-executive Director (Nicholas Mather).

Further information on the Proposed New Directors is provided in section 7 of this Prospectus.

It is intended that the Current Directors will all resign immediately subsequent to the appointment of the Proposed New Directors. Andrew Woskett will remain a non-executive Director of the Oztrak subsidiaries until their disposal.

5 Project Strategy

5.1 Tenement Summary

Ballarat Goldfields currently has approximately 1,790 hectares of consolidated mining licences within central Victoria, plus a portfolio of exploration licences covering approximately 340 square kilometres within central Victoria. The major gold resource potential is contained in:

- Ballarat East; and
- Ballarat West tenements.

Within a 85 km distance of Ballarat are located several additional tenements, namely:

- Berringa;
- Campbelltown;
- Dunolly; and
- Maryborough.

This consolidated holding represents one of the most accessible and under explored opportunities in Australia.

5.1.1 The Goldfields of Ballarat

The Proposed New Directors believe that the resource potential of the goldfields within the immediate Ballarat area is as set out in Table 1 in section 5.1.1 below. Historical operations in the Ballarat goldfields produced some 12 million oz of gold of which 2.5 million oz were sourced from underground quartz mining operations. Of the underground production, 1.7 million oz were produced from Ballarat East and 0.8 million oz were produced from Ballarat West.

Of the 1.7 million oz mined at Ballarat East, some 70% of the ore was sourced from comparatively large stopes (for example 20m wide, 60m high and over 100m in length). Such stopes suit modern trackless mining methods. The Proposed New Directors expect that a significant part of future mining is likely to occur in stopes of similar dimensions and is expected to be comparatively low cost.

Historically, gold recovery from ore sourced underground was high due to the free milling nature of the ore. Around 90% of the gold was recovered from amalgamation and gravity circuits. BGF's drill intersections below the old workings indicate similar mineralogy to that mined historically.

The Company believes that the goldfields of Ballarat have potential to reveal significantly larger gold resources than that quantified by BGF to date. The Company is of the view that a whole of goldfield resource potential of at least 4 million ounces of gold is justifiable in the context of historical experience and contemporary geological assessment.

- Ballarat East

In the area encompassing BGF's tenure at Ballarat East, historical production from the Ballarat East field occurred over a strike length of 4km down to an average depth of 350m below surface. From exploration activity between 1985-1993 the Company identified an inferred gold resource of 1 million oz to a depth of 700m over a strike length of 2.8km below the old Ballarat East workings. Some 12 sections along strike were drilled with an average of 4 diamond drill holes per section.

From 1994-1996 the Company developed a 960m long access decline to a depth of 140m below surface. This decline was originally scheduled to be 2,700m long and was designed to access the 1 million oz resource zone at approximately 380m below surface. The decline was not completed as technical difficulties in the highly weathered zone between 40m and 120m below surface caused construction cost overruns and delays. The Company suspended development when the decline heading had passed below the highly weathered zone and through 80m of stable and competent strata. At that stage the Company had insufficient funds to complete the development.

In 1997 BGF entered into a joint venture agreement with companies in the NM Rothschild & Sons (Australia) Ltd group (NMRAL). NMRAL acquired a 25% interest in the Ballarat East tenements and assets comprising the Ballarat Gold Project. Joint venture funds were applied to development of exploration drives and extensive underground drill exploration at the 130m level and amongst earlier quartz mine workings. The information gained was instrumental in advancing BGF's understanding of the geological model and mineralisation controls. The joint venture was terminated in 2000 and BGF regained 100% equity in the Ballarat Gold Project.

During 2000-2001 the Company carried out an extensive review of the Ballarat East goldfield. This work incorporated structural features, interpretation from the surface and underground diamond drilling programs, location of old mines and workings and measurement of structures accessed from the decline drive and the exploration cross-cut development east of the decline. The decline drive has since been adequately maintained so as to provide the vehicular access to the exploration drives.

The new underground openings constructed by BGF permitted the Company to develop a new geological model for the Ballarat East goldfield known as the "enriched zone" geological model.

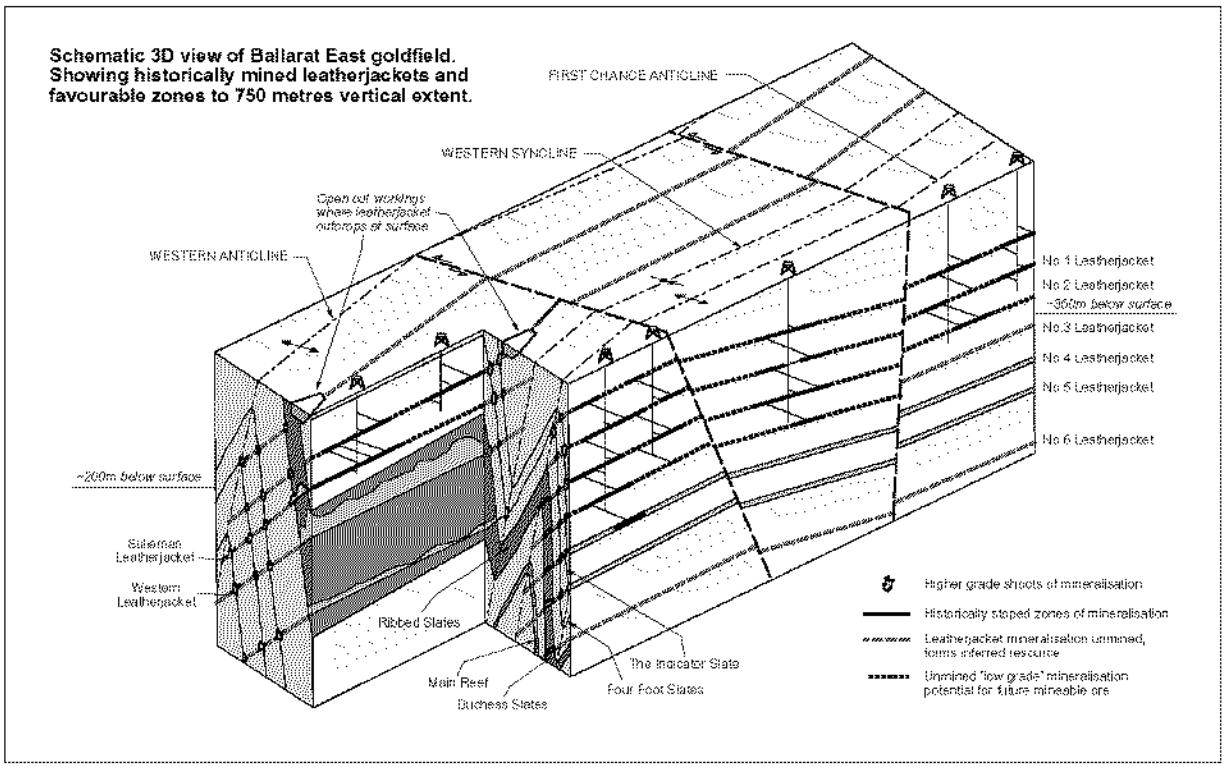
The Company identified the repeating nature of the historically mined mineralised features, and is targeting similar structures below old workings to support future mining operations in Ballarat. Work to date indicates that intersections between shallow dipping "leatherjacket" faults and steeply dipping "favourable zones" (lithological units such as slate beds and structures such as the anticline hinges) are typically gold enriched. These structures repeat on approximately 100m intervals throughout the vertical section. This is shown diagrammatically in Diagram 1 below.

The current published potential resource is 1 million ounces of gold (3.3 million tonnes of ore grading at 9.5 g/t gold) in the zone between 350-700m. At this time there has been no drilling below the 700m level, however, given the expected repeatability of the "enriched zone" model, the Proposed New Directors believe that the zone below 700m to a depth of 1500m represents an attractive exploration target that could contain an additional 1 to 2 million oz.

Table 1 - Resource Potential of the Ballarat Project

Geological Target Zone	Depth Range	Gold Resource Potential	Target Concept	Risk / Opportunity
Ballarat East – First Chance Anticline	350 – 700m	1M oz	Repetition of historically mined leatherjacket / favourable structure intersections (BGF's "enriched zones").	Drill-tested by BGF on moderate to wide spacing. Concept essentially proven and resource potential of ~1 Moz demonstrated with low risk. Remaining risk is on reserve definition and mineability.
Ballarat East – Western Anticline	200 – 700m	0.5M oz	Vertical repetition of shallow historic Sulieman and Western lodes – predicted projections of leatherjackets 1-5 down-dip from First Chance Anticline to Western Anticline (Diagram 1).	Inadequately tested by BGF drilling; targets ("enriched zones") now defined and available for drill testing. Moderate to high probability that structural repetition will occur, but risk on size and grade of proposed enriched zones.
Ballarat East – below Leatherjacket # 6	700m – 1,500m	1 - 2M oz	Ongoing repetition of mineralisation on both First Chance and Western Anticlines below leatherjacket #6 with essentially the same grade and ozs per vertical km as above 700m depth.	Principal risk is that Leatherjacket #6 represents a structural floor to the ~100m vertical leatherjacket repetition. Moderate to high probability that mineralising system extends to 1500m, but nature of structural repetition uncertain.
Ballarat West – less developed Albion and Winters Lines, some plunge continuity	0 – 700m	0.5M oz	Extensions to known reef / lode systems, especially on historically less developed Albion and Winters lines.	Moderate probability, considering that Ballarat West delivered about 30% of historical underground production (800,000 oz) and a higher average recorded grade than Ballarat East. Historic exploration constrained by basalt cover.
Ballarat West	700 – 1,500m	1M oz	Repetition of structures and lode systems associated with deeper slate units and faulted anticlinal hinges.	Moderate probability that mineralisation is repeated below historic workings and/or along strike of known reefs.
Berringa	0 – 300m	0.25M oz	Limited along strike / plunge extensions to historically mined lodes, within reach of the historic workings.	Low to moderate probability. Has yet to be systematically explored, and historic exploration / mining appears to have been quite thorough.
Berringa	300 – 700m	0.5M oz	Vertical repetition of quartz reef structures and mineralising system.	Moderate probability of vertical repetition of structures. Requires development of an effective target model from historic and new data.

Diagram 1 - Schematic Three Dimensional View of Ballarat East



- Ballarat West

Historically some 0.8 million oz of gold were extracted from the Ballarat West goldfield from depths ranging from surface to 950m with the majority extracted above 350m.

Since 1917 there has been very limited modern geological work undertaken on this field. Work to date suggests that the geological model differs to that of Ballarat East.

Ballarat West is nonetheless considered to be a very attractive exploration target. Historic production showed strong continuity of strataform mineralisation within the fold limbs of anticline structures and average mined grades of around 14 g/t of gold. The Proposed New Directors believe there is a potential for a target in excess of 1 million oz below the old workings. One of the attractions of this target is that it could be accessed from underground via an extension of the Ballarat East decline located about 1,500m to the east.

- Berringa

Historically some 300,000 oz of gold was extracted from Berringa to depths of 325m. Again, very little modern geological work has been carried out on this field.

One of the attractions of this goldfield is that mineralisation has been historically mined very close to the surface in a number of areas.

The Proposed New Directors intend to test the potential for open pitable and shallow underground resources.

5.1.2 Campbelltown, Dunolly and Maryborough

The Proposed New Directors consider the work so far undertaken on the Campbelltown, Dunolly and Maryborough projects to be of a preliminary nature only. The Company intends to carry out a systematic review of these tenements over the coming 6 months and subsequently may decide to reduce its tenement holdings.

In discussions with DNRE the Proposed New Directors have undertaken to actively relinquish any tenements in these areas which cannot justify the ongoing expenditure obligations. The tenements for these areas are all owned by BGF's 100% owned subsidiary, Highlake Resources N.L.

5.2 Independent Geological Report

Included in section 8 of this Prospectus is an independent geological report prepared by SRK Consulting.

5.3 Initial Program on Recommencement

The Company's existing mining and exploration tenements at Ballarat combined with the partially complete underground access to the Ballarat East gold resource puts the Company in a good position to further explore the Ballarat goldfields.

From the proposed capital raising the Company intends to spend some $2.7 million on conducting a review of existing geological data, carrying out exploration, maintaining its mineral assets including the decline and on corporate overheads.

5.3.1 Ballarat East

During 2000-2001 considerable structural geological work was done to establish the new "enriched zone" geological model. However, prior to spending significant capital on extending the decline and on an underground drilling program the Proposed New Directors intend to further test the rigour of this model.

Under the management of Richard Laufmann, the following work is expected to be carried out immediately subsequent to the conclusion of the Issue:

- Further interpretation and manipulation of the geological data in a 3D model; and
- Carry out limited underground drilling and channel sampling from the existing decline and cross-cut to confirm the rigour of the new geological model (this model has only been developed subsequent to the completion of the decline and cross-cut). This is likely to include a limited extension to the existing cross-cut.

The purpose of this program will be to confirm, under the new geological model, the placement of the planned extension of the decline and planned diamond drill and bulk sampling programs to ensure that returns to shareholders are maximised. In addition, the program will help identify deep drilling targets between 700m and 1,500m below surface.

Following completion of these works, which are anticipated to continue for six to twelve months, the Company intends to report back to shareholders with a plan to advance the Ballarat Goldfields assets towards production.

5.3.2 Ballarat West

As outlined above, while there has been historically some 0.8 million oz of gold extracted from Ballarat West, at a grade of around 14 g/t, the geological model is not well understood. While there has been 11,000m of diamond drilling in the Ballarat West field, further work needs to be undertaken to develop the geological model for this area.

The geological program at Ballarat West will include:

- Collect and collate data from historic workings;
- Compile historic data into a 3D model;
- Develop a geological model; and
- Drill 1 or more surface holes to test the veracity of the geological model.

The purpose of the above program will be to establish a geological model for further resource definition.

5.3.3 Berringa

In the Berringa tenement areas:

- Complete detailed surface mapping and a review of historic mining data;
- Trench sample across the mineralised structures at surface; and
- Compile historic and sample data.

The purpose of this work program would be to identify drill targets for future exploration.

5.3.4 Maryborough, Campbelltown and Dunolly

In the Maryborough, Campbelltown and Dunolly areas:

- Complete detailed surface mapping and a review of historic mining data;
- Trench sample across the mineralised structures at surface
- Compile historic and sample data into a 3D model.

The purpose of this work program would be to identify drill targets for future exploration and to determine the retention value of these tenements.

6 Financial Information

6.1 Statement of Financial Position

Set out below is Ballarat Goldfields' unaudited consolidated statement of financial position at 30 June 2002, together with a pro-forma consolidated statement of financial position as it would appear after the Issues and the other proposed transactions set out below:

- the issue of 125,127,220 new Rights Issue Shares at 2.3 cents per share, raising $2,877,926;
- the issue of 140,000,000 new Shares at 2.5 cents per Share to subscribers under the Public Issue, raising a further $3,500,000;
- the settlement of anticipated costs of the Issues by:
  a) the payment of $604,696 (including $318,896 in underwriting fees, management and handling fees);
  b) the issue of 12,500,000 shares to RFC in lieu of a cash payment of Arranger fees estimated at $250,000 (refer also section 4.5); and
  c) the issue of 5,000,000 Share Options to RFC exercisable at 3.45 cents per option, in accordance with RFC's terms of engagement as Arranger subject to shareholder approval being obtained.
- the settlement in cash of the following liabilities:
  a) the ANZ bank overdraft and borrowings of $1,010,190;
  b) other borrowings totaling $553,452; and
  c) accounts payable, provisions and other liabilities totaling $1,846,646.
- the provision of the following termination benefits to Mr Andrew Woskett:
  a) cash payments totaling $100,000;
  b) 5,000,000 Shares subject to Shareholders approval. If the resolution is not approved by Shareholders, a cash payment of $115,000 will need to be made instead. The pro forma statement of financial position assumes that Shareholders approve the issue of Shares.

The unaudited consolidated statement of financial position at 30 June 2002 and pro-forma consolidated statement of financial position have been prepared in accordance with Australian Generally Accepted Accounting Practice, being consistent with those used to prepare the Company's annual report for the year ended 30 June 2001 and half year report for the period ended 31 December 2001. While the Directors have taken all reasonable care in the preparation of the statement of financial position, the statement has not yet been audited and while no material adjustments are expected, the Directors are unable to provide any guarantees in this regard.

Table 2 – Pro-Forma Statement of Financial Position at 30 June 2002

	Unaudited 30 June 2002 $	Proforma Adjustments $	**Pro Forma Unaudited 30 June 2002 $**
CURRENT ASSETS			
Cash	419,351	2,262,942	**2,682,293**
Receivables	95,047		**95,047**
Inventory	584,518		**584,518**
TOTAL CURRENT ASSETS	1,098,916	2,262,942	**3,361,858**
NON CURRENT ASSETS			
Receivables	55		**55**
Property, plant and equipment	437,731		**437,731**
Exploration (see section 6.2 below)	12,832,995		**12,832,995**
TOTAL NON CURRENT ASSETS	13,270,781	-	**13,270,781**
TOTAL ASSETS	14,369,697	2,262,942	**16,632,639**
CURRENT LIABILITIES			
Overdraft	935,190	(935,190)	-
Accounts payable	1,660,843	(1,660,843)	-
Borrowings	569,702	(553,452)	**16,250**
Provisions	114,102	(114,102)	-
Other	45,256	(45,256)	-
TOTAL CURRENT LIABILITIES	3,325,093	(3,308,843)	**16,250**
NON CURRENT LIABILITIES			
Borrowings	76,635	(75,000)	**1,635**
Provisions	38,830	(26,445)	**12,385**
TOTAL NON CURRENT LIABILITIES	115,465	(101,445)	**14,020**
TOTAL LIABILTIES	3,440,558	(3,410,288)	**30,270**
NET ASSETS	10,929,139	5,673,230	**16,602,369**
SHAREHOLDERS' EQUITY			
Share capital	71,463,143	5,888,230	**77,351,373**
Reserves	(38,187)		**(38,187)**
Accumulated losses	(60,495,817)	(215,000)	**(60,710,817)**
TOTAL SHAREHOLDERS' EQUITY	10,929,139	5,673,230	**16,602,369**

6.2 Exploration Expenditure

Exploration costs expended on the Company's various tenements have been capitalised and are stated at cost in the statements of financial position set out above. Generally Accepted Accounting Practice requires the carrying value to be written down if it is unlikely that these costs will be recovered through future mining or the sale of the tenements. The Proposed New Directors intend to review the geological data relating to all tenements and decide whether to retain all non core tenements. The Current and Proposed New Directors are of the opinion that the overall carrying value in respect of exploration expenditure is likely to be able to be substantiated, based primarily on the Ballarat East and West tenements. However, until the full review by the Proposed New Directors is complete they can provide no assurance that the accounting carrying value of certain tenements will not need to be written down.

6.3 Status of German Legal Claims by Oztrak

The German courts have recently ruled in favour of Oztrak Europe GmbH in respect of a claim against a trade debtor, Horst Blickle GmbH, for the recovery of a contractual debt amounting to DEM 173,712 plus costs and interest (approximately A$200,000 in total), and in respect of an appeal against the judgement by the debtor.

Recovery of this debt has not been taken into account in the above statements of financial position, but is expected to occur.

The German court has also recently ruled in favour of Oztrak Group Pty Ltd in respect of a claim against a trade debtor, BSK GmbH, for contractual damages, interest and costs amounting to approximately A$2.3 million, and in respect of an appeal against the judgement by the debtor. BSK GmbH is a subsidiary of Horst Blickle GmbH. Notwithstanding the courts' two consistent rulings on this matter, recovery of this debt is doubtful because BSK GmbH has formally applied to the court to begin insolvency proceedings.

Recovery of this debt has not been taken into account in the above statements of financial position.

6.4 Trading History

Ballarat Goldfields reported a consolidated loss for the financial year ended 30 June 2001 of $4.22m.

The unaudited consolidated statement of financial performance for the year ended 30 June 2002 reflects a loss of $2.35m.

6.5 Prospects

As described in section 4, Ballarat Goldfields has set about a strategy of disposing of the Oztrak Business and re-focussing its strategy on the exploration and development of its gold prospects.

A statement of the proposed expenditure on the initial phases of the resumed geological program is included in section 5.3 of this Prospectus.

7 Directors

Immediately following the successful completion of the Issues the Current Directors will invite the Proposed New Directors to join the Ballarat Goldfields Board of Directors. Upon the appointment of the Proposed New Directors the Board will appoint Colin Smith as Chairman and Richard Laufmann as Managing Director. The Current Directors John Roberts, Andrew Woskett and Kerry Penna will then resign from the Board.

The board will then comprise:

- Colin Smith *(Chairman);*
- Richard Laufmann *(Managing Director); and*
- Nicholas Mather *(Non-executive Director).*

Brief CVs for each of the proposed board members are provided below:

Colin L. Smith
Dip Mining, WASM, FAusIMM
Designated Chairman

Colin has 40 years experience in the minerals industry. He has extensive general management, corporate and directorship experience in the gold, iron ore, lead-zinc and uranium industries. His experience includes overall responsibility for surface and underground gold mining operations. His experience includes periods as General Manager Operations for Hamersley Iron Limited and Chief Operations Officer of Ashanti Goldfields Co Ltd Ghana. He has had extensive involvement as a consultant in the detailed technical and management appraisal of operations and projects for corporate and financing purposes. Recently Colin has been advising Bendigo Mining NL on its mining and development strategies. Colin is also the Chairman of Consolidated Minerals Limited, an ASX listed manganese and chromite mining company.

Richard Laufmann
B. Eng. (Mining)
Designated Managing Director

Richard has broad experience in multi-commodities both in Australia and offshore. The last 5 years were spent with WMC Ltd's gold business, the last 2 years as General Manager Operations, responsible for its 3 sites that collectively produced 750,000 oz of gold per year.

While with WMC, Richard led the expansion and turn around of St Ives (one of Australia's largest gold operations), from a high cost underground operation to a profitable surface/underground mix with a 70% increase in production and treatment capacity.

Under his guidance as General Manager at WMC, the value of the gold business was significantly enhanced prior to its sale to Gold Fields Limited (of South Africa). Richard is currently a non-executive director of Gold Field's Australian subsidiary.

Nicholas Mather
BSc (Hons Geology), MAusIMM
Designated Non-executive Director

Nick is a geologist with over 20 years experience being an Honours Graduate of the University of Queensland and a member of the AusIMM. He is currently an Executive Director of Arrow Energy NL responsible for corporate and project development. He is also President of Western Pacific Gold Inc, a listed Canadian explorer and Executive Chairman of Samuel Capital Limited, a Brisbane based resource financier. In 1998, as Managing Director of BeMaX Resources NL, he was instrumental in the discovery of the Ginkgo heavy mineral sands strandline, now one of the largest heavy mineral sand resources in the Murray Basin. Previously, he acted as Managing Director of Auralia Resources NL until its merger with Ross Mining NL in 1995 and was a Director of Mogul Mining NL for six years.

Nick is experienced in project generation, exploration, management and corporate financing of listed resource companies.

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Integrated Science and Engineering Consultancy

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16th August 2002

The Directors
Ballarat Goldfields
Suite 11, Greenhill Enterprise Centre
University Drive
Mt Helen Vic 3350
Australia

Attention: Andrew Woskett, Managing Director

Dear Sirs

Re: Independent Technical Assessment Report for Ballarat Goldfields N.L.

Please find herewith, following this covering letter, our Report that provides an independent technical assessment of the geology and exploration of the mineral assets of Ballarat Goldfields N.L. SRK understands that this Report will be included in a Prospectus, to be lodged with the Australian Securities and Investments Commission (ASIC), to shareholders in relation to a proposed share offer and capital raising.

SRK Consulting hereby consents to this Report being included in full in your Prospectus in the form and context in which it is to appear, and advises that this consent has not been withdrawn as of this date. The technical assessment contained in this Report is made as of 16th August 2002.

Yours faithfully,

M. Etheridge PhD, FTSE, FAIG, FAICD
Chairman
SRK Consulting

Summary

Introduction

Ballarat Goldfields N.L. (BGF) has a portfolio of mining and exploration tenements in the central goldfields region of Victoria. The Directors of BGF have proposed a 1 for 1 share rights offer at 2.3 cents per share and a capital raising of 140,000,000 shares at 2.5 cents per share to raise approximately $6.4 million. SRK understands that approximately $2.7 million of this capital raising will be applied to geological work, mine maintenance and corporate costs in relation to the mineral assets, and that about $0.9 million will be available specifically for the initial exploration and evaluation of the BGF mineral properties up to December 2003.

The Exploration Projects

The BGF mineral properties include the Ballarat East advanced exploration project and additional earlier stage projects at Ballarat West and Berringa in the Ballarat goldfield, and in the Dunolly, Maryborough and Campbelltown areas, (**Figure 1**).

The projects are all targeting slate belt hosted, gold-quartz vein (or reef) style mineralisation within a region that historically was well endowed with gold mineralisation, in particular at Ballarat. The BGF projects are in a broadly similar geological environment to that at Bendigo, where Bendigo Mining N.L. is currently preparing to put the New Bendigo Project into production.

The BGF projects comprise 13 Mining Licences (including the older licence terminology Mining Area Licences and Mining Leases) that cover an area of about 1,800 ha (**Table 1**). 11 of the 13 Mining Licences and Leases are current until at least October 2003, and of these 11 Mining Licences, 10 relate to Ballarat East Project and 1 relates to the Ballarat West Project. SRK understands that all permitting requirements for the Ballarat East Project (e.g., water, and mining near town) are current, but we have not inspected any of the permitting documentation. BGF also holds 5 Exploration Licences that cover an area of approximately 343 km^2 (**Table 1**). Renewal applications have been submitted for the remaining 2 Mining Licences and 5 Exploration Licences. If all tenements are successfully renewed, current minimum annual expenditure requirements total $2,155,000, not including annual Licence rental or renewal obligations (**Table 1**).

SRK has been informed by BGF that it has been advised by the Victorian Department of Natural Resources and Environment ("DNRE") that these tenements are not in good standing, due to arrears in payment of licence rental/renewal fees and past under-expenditure of exploration commitments. As set out in section 9.1 of the BGF Prospectus, the Company has recently met with DNRE, and has indicated its intention to pay all outstanding licence fees on successful closure of the Prospectus. BGF has also undertaken to the DNRE to review its tenement holdings (especially Maryborough, Campbelltown and Dunolly) during the first 3 to 6 months following recapitalisation, with a view to relinquishing the lowest prospectivity areas, and thereby reducing its expenditure commitments. **SRK's report and opinion is based on the assumption that BGF will re-establish the tenements in good standing, as a result of repayment of outstanding fees and commitment to its proposed exploration program.**

The principal project in the portfolio is the **Ballarat East Project**, with a published inferred resource of 3.3 million tonnes at 9.5 g/t gold containing approximately 1 million ounces of gold. To date, BGF has concentrated its resources on evaluating and developing the Ballarat East Project, including historic data compilation, exploratory drilling, underground development and mining infrastructure. BGF's total expenditure on the project to date has been approximately $25 million.

The **Ballarat West** and **Berringa** Projects were acquired by BGF in 1998, through the purchase of Phoenix Resources and Berringa Resources, respectively. Both projects are considered by BGF to be earlier stage exploration projects in close proximity to the Ballarat East project (**Figure 2**) and therefore, strategically located to share infrastructure and resources.

The **Dunolly**, **Maryborough** and **Campbelltown** exploration projects are also in the western part of the central Victorian goldfield, but are situated approximately 55 to 90 km to the north of Ballarat and 55 km south west of Bendigo, respectively (**Figures 1 and 3**). These projects were acquired when BGF merged with Highlake Resources N.L. in late 1998. BGF work on these projects has been limited to

initial resource evaluation and/or scoping studies based on the Highlake exploration programs. BGF considers these to be lower priority and lower value projects. The BGF evaluation/scoping documents formed the basis of the SRK technical assessment of these 3 projects, and we did not visit these areas.

Ballarat East Project – Geology, History and Resource Potential

Geology

The Ballarat goldfield occurs within a generally tightly folded sequence of sandstones, siltstones and slates, close to an inferred regional reverse fault, the Williamson Creek Fault. The Ballarat East and West projects are centred on the historic Ballarat East and West goldfields, where between the late 1850's and 1918, approximately 12 million ounces of gold was produced. Production was predominantly from alluvial workings, where approximately 9.5 million ounces of gold was mined. Recorded quartz reef mine production from the East and West fields totaled 1.7 million and 0.8 million ounces respectively. The average recorded (recovered) grade for quartz reef mining at Ballarat East between 1890 and 1918 has been estimated at 8.88g/t gold, with the Ballarat West field being mined at a higher grade of approximately 14 g/t gold.

The Ballarat East project comprises a set of sub-parallel reefs or lodes in a narrow band about 400m wide and 3500m to 4000m long. The reefs are known from historic mining to extend to depths of about 500m, and from BGF drilling to extend to at least 700m below the surface. Historic mining was focussed on the eastern, vertical to overturned limb of the First Chance anticline, where it was transected by shallowly to moderately west-dipping reverse faults ("Leatherjackets"). Additional mining took place to a shallower depth along western margin of the Ballarat East system, on the structurally equivalent eastern limb of the Western anticline.

BGF has developed a new geological model (referred to as the "enriched zone" model) for the localization of potentially mineable target reefs / lodes at Ballarat East, at the intersections between the shallowly to moderately west-dipping Leatherjackets and a series of steeply west-dipping beds and structures ("favourable zones"). A number of the more significant drill intersections occur at, or in the vicinity of, the model target areas. **In SRK's opinion, the model is broadly robust, represents a significant advance in the geological understanding of the field, and forms a sound basis for the next phase of exploration and resource delineation, and probably for subsequent mine planning and mining.**

Exploration History

- Prior to 1985, BGF undertook studies of the historical records of the Ballarat East mines, concluding that the mines were closed due to a range of economic (investment, manpower and water management) circumstances and not due to a lack of gold mineralisation. Between 1985 and 1988, BGF carried out a program of diamond drilling to test for the continuation of geology and mineralisation below the historic mines. This program consisted of approximately 8,400 metres of coring, along a strike length of 350 metres, at a minimum spacing of approximately 80 metres by 80 metres.
- In 1988, BGF made two unsuccessful attempts to sink a vertical shaft into the Ballarat East deposit. Work was suspended following the collapse of the shaft walls in the second attempt.
- In 1991, BGF conducted a major engineering review of the project, resulting in the positioning of the optimal underground decline access to the mine. A further 11,000 metres of diamond core drilling was completed under a joint venture between BGF and Geopeko between 1991 and 1992. This drilling program tested beneath the old mine workings, mostly in the zone between about 350 to 700 metres below the surface along an extended strike extension of 2,800 metres. On the basis of this and the earlier drilling, BGF estimated an Inferred Resource of 3.3 million tonnes at 9.5 g/t gold, for approximately 1 million oz gold at depths between about 300m and 700m below the surface.

SRK considers that the gold grades derived from the estimate at cut-off grades around 4 to 5 g/t are reasonable, if somewhat conservative. The similarity of the drill-estimated grades to the historically mined grades (i.e., ~ 9 to 10 g/t gold) provides additional confidence. In SRK's opinion, however, the grades derived from drilling, especially where a top-cut or equivalent has been applied, are likely to underestimate in-situ grade because of the high gold "nugget effect". This is consistent with the recent experience of Bendigo Mining N.L. in their exploration beneath the historic Bendigo goldfield.

The reef gold deposits of central Victoria are characterised by abundant coarse ("nuggety") gold, and by complex geological controls on high-grade gold distribution. These characteristics make meaningful resource estimation from drilling alone very difficult. As a result, SRK considers that the likely contained gold in the section of Ballarat East between 350m and 700m depth should be described as "Resource Potential" rather than an Inferred Resource. The uncertainties in the assignment of grade, continuity and volume of mineralised bodies from the widely spaced BGF drilling are too great, in SRK's opinion, to justify the assignment of Inferred Resource status under the JORC Code. SRK recommends the use of the informal term Resource Potential, as used widely in similar conditions by Bendigo Mining N.L. for its nearby New Bendigo Project.

- BGF commenced construction of the decline in 1994, and has completed 1,800m of underground development in the decline, crosscuts and drives, including 960m of the main decline from the surface. Decline construction was suspended in 1996, and there has been only limited further work since that time, including some underground drilling and minor development to access mineralised zones close to the end of the decline.
- For the past 5 years, ongoing review and compilation of the historic mining information and reassessment of the drill and resource information has been taking place, including building a three-dimensional, digital geological model of the historic workings, drill data and 1992 resource blocks. As a result of this review and assessment work, BGF developed the "enriched zone" geological model for the Ballarat East field and, in considering the vertical repetition inherent to this model, have estimated the global resource potential of the East and West Ballarat fields.

Resource Potential

On the basis of our qualitative assessment of the BGF geological model, drill data and resource estimate, and of the historic mining shapes, dimensions and recovered grade, and of our recent experience working with the New Bendigo Project, **SRK considers that there is a moderate to high probability that the Ballarat East project will deliver the grades and tonnages inferred by the BGF 1992 resource estimate at depths between about 350 and 700m.** The principal geological risks are related to lack of continuity and/or scale of economically mineable grades, and the potential for significant dilution resulting from poor definition of high-grade block boundaries.

SRK also considers that there is a high probability that additional resources will be progressively added to those estimated between 350m and 700m at Ballarat East from elsewhere in the Ballarat field (see below and Table 1 of the Prospectus). We note that No. 6 Leatherjacket fault below Ballarat East forms the geological 'floor' to the resource potential block between 350m and 700m depth. This fault has a displacement in the order of 100-150m, several times larger than that of the other Leatherjacket faults. **However, SRK considers that there is a moderate to high probability that gold-bearing structures are repeated below this fault to a depth of at least 1000m and likely to 1500m, although their structure and tenor may be different from those in the higher levels.** Our opinion is based on the likely continuity of the basic geological setting and the mineralising system to depths of at least 1500m, as recently demonstrated at New Bendigo as well as the deeper historic mining depths carried out at the Ballarat West field.

Ballarat West and Berringa Projects

Ballarat West provides an immediate exploration opportunity. Despite being entirely covered by post-mineral basalt flows, it delivered about 30% of the historic quartz-reef production (~0.8M oz gold), and at a higher average recovered grade than at Ballarat East, although mostly in narrower structures. Historic exploration was essentially opportunistic, relying on largely accidental exposure of quartz reefs or "ledges" in the deep lead alluvial mines beneath the basalt. **SRK considers that there is a moderate to high probability that the high-grade reefs at Ballarat West will be repeated at depth below the historic workings, and/or along strike (or plunge) of known reefs and parallel structures to the productive Consols and Gulding Star lines.**

The **Berringa Project** consists of one Mining Licence, covering an area of 318 ha. It was acquired through BGF's purchase of Berringa Resources in 1998. The Berringa tenement includes a number of productive historical gold mines. Mining took place along about 3,000m strike length of a faulted anticline, was limited to depths of about 300m, and produced approximately 300,000 oz gold at an average grade of about 8.5 g/t gold. BGF's exploration work has been limited to a scoping study of the

tenement that compares the mineralisation and geology to the Ballarat area. The project includes the small, shallow "Southland Resource" comprising an Inferred Resource of 17,000 tonnes at 7 to 8 g/t gold (equivalent to approximately 4,000 oz gold) and a Measured Resource of 10,000 tonnes at 7 to 8 g/t (equivalent to approximately 2,250 oz gold). The Southland resource was estimated from underground exposures in a very limited area around the Southland shaft when it was sunk by its previous owners. **SRK considers that the Berringa project has a moderate to high potential to deliver resources to the Ballarat project, but a systematic evaluation of historic mining and additional drilling are required before an estimate of resource potential can be made.**

*SRK's assessment of the **global potential of the Ballarat goldfield** is also based on the high ratio of alluvial to hard rock production (~ 4:1) at Ballarat compared to that at other fields in the central Victorian region (e.g., ~ 1:4 at Bendigo, Hill, 2002). The large alluvial production strongly suggests a hard rock source larger that that known at Ballarat East and West. In addition, there is anecdotal evidence that pre-1900 hard rock exploration was sporadic, undercapitalized and placed too little attention on the role and productivity of the Leatherjacket structures. SRK also notes that there has been little systematic exploration of the western part of the field because it is largely covered with basalt.*

Geology, Exploration and Prospectivity of Other Projects

In addition to Ballarat East and West and Berringa projects, BGF holds three earlier stage exploration projects, within the Bendigo zone, namely the Dunolly, Maryborough, and Campbelltown Projects (**Figure 3**). These projects were acquired by BGF in 1998 as a result of merging with Highlake Resources Ltd, and BGF has done little more than to review the Highlake work and, in some cases, check resource estimates on these projects. Each project is characterised by comparable geology, structural setting and mineralisation styles to that of the Ballarat goldfields and contains significant historic mine workings.

The **Dunolly Project** consists of one Mining Licence, covering an area of 326 ha. The Dunolly tenement includes a historic gold mining site, about which little information is available. Exploration work by Highlake Resources was restricted to geological mapping, RC drilling and some geophysical survey work, and yielded an estimated Inferred Resource of 747,677 tonnes at 2.48 g/t gold (59,703 oz gold) (BGF, 2000). BGF has completed no further exploration work, but derived a revised resource estimate for internal planning purposes of 1,040,038 tonnes at 2.42 g/t gold (80,784 oz gold).

The **Maryborough Project** consists of one Exploration Licence covering an area of 191 km^2. The Maryborough tenement includes a historic gold mining site. Historical mining produced approximately 1.3 million oz gold (including alluvial production), despite being limited to approximately 70m depth. The Highlake exploration work has been limited to RC drilling (40m line spacing over a strike length of 600m, to a depth of 80m), geological mapping, channel sampling and 2 diamond drill holes. Based on the Highlake drill data, BGF recalculated a mineral resource estimate, for internal planning purposes, of 1,034,000 tonnes at 2.5 g/t gold, including an Indicated Resource of 656,000 tonnes at 2.7 g/t gold and an Inferred Resource of 378,000 tonnes at 2.3 g/t gold.

The **Campbelltown Project** consists of one Exploration Licence covering an area of 26 km^2. The Campbelltown tenement includes the small, historic Campbelltown goldfields. BGF's work has been limited to a review of the targeted geophysical surveys, soil sampling and assaying, RAB and RC drilling, costean sampling, historic records search and geological mapping work that was carried out by previous tenement holders. Highlake Resources carried out an RC drill program at several prospects and calculated a shallow, inferred resource of 812,000 tonnes at 1.46g/t gold. Historic production records reported by Highlake indicate recovered grades in excess of 10 g/t gold, probably indicating the unsuitability of RC drill grades as an indicator of grade potential.

SRK has not independently checked any of the resource estimates for the Berringa, Dunolly, Maryborough or Campbelltown projects, because BGF does not intend spending a significant proportion of the current capital raising on these projects. However, it is SRK's opinion that further exploration work is required in order to define such resources as Indicated/Inferred Resources in compliance with the JORC Code. **SRK's review of reports on these projects provided by BGF indicates that it is likely that any such resources will be at lower tonnage and higher grade, once systematic evaluation of the controls on high-grade gold distribution at each of the projects has been carried out.** This will require additional diamond core drilling, costeaning and sampling. We have formed no

opinion on whether these resources could be mined, either for trucking to Ballarat or to some other processing facility.

Global Resource Potential and the Proposed Exploration Program

SRK considers that the global resource potential of the Ballarat goldfield outlined with its attendant target concepts, risks and opportunities in Table 1 of the Prospectus (Section 5) is a reasonable summary of the potential of the field. The proposed exploration program and budget to December 2003 represents an appropriate risk assessment and reduction strategy, in line with the risks set out in Table 1 of the Prospectus.

BGF has proposed spending about $900,000 on the BGF exploration projects by the end of 2003. The allocation of expenditure to projects and a summary of the work programs is provided in this Prospectus. The majority of the expenditure will be on improving understanding of the geological controls on the localisation of high-grade gold mineralisation at each project. We agree that this is the highest priority task, and that it is a necessary precursor to undertaking substantial drilling or other exploration programs.

SRK provides the following specific opinions on the appropriateness of the proposed programs for each project.

- **Ballarat East.** We support the undertaking of limited extensions to the underground workings, specifically to enable sampling of the nearby "enriched zone" targets. We also agree that further analysis of the 3D geological model to ensure thorough integration of the historic mining information into ongoing interpretation of the existing drill data and better definition of resource potential and improved target definition is appropriate.
- **Ballarat West.** Thorough analysis of the historic mine data and building of a 3D digital geological model are essential precursors to defining priority drill targets. We also support the inclusion of one or two initial diamond core holes beneath the historic workings to test the target concept and identify potential mineralising structures at depth.
- **Berringa.** In SRK's opinion, the priority task at Berringa is to determine the geological controls on the historically mined high-grade gold lodes, so that the target concept can be refined and drill targets identified. The proposed program will achieve that objective.
- **Maryborough, Campbelltown and Dunolly.** The priority in these projects is to determine the controls on the likely location, shape and distribution of high-grade gold lodes within the mineralised envelopes drilled by Highlake. There may also be a requirement to reduce some of these areas to reduce exploration commitments in the future.

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1 Introduction

1.1 Purpose of Report

Steffen Robertson and Kirsten Australasia Pty Ltd, trading as SRK Consulting (SRK) has been commissioned by Ballarat Goldfields N.L. (BGF) to provide an Independent Geologist's Report on BGF's mineral exploration and mining tenements in Victoria.

The Report is based on the review carried out by SRK to July 12 2002 for BGF, combined with the results of an independent technical review work of BGF's Ballarat goldfield properties undertaken in February-March 2002 for Eureka Capital Partners Ltd.

This Independent Consulting Geologist's Report ('Report') has been prepared in accordance with the Code and Guidelines for Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports (The VALMIN Code), which is recommended for Members of the Australian Institute of Geoscientists (AIG), and binding on members of The Australasian Institute of Mining and Metallurgy (AusIMM), and the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and Australian Stock Exchange (ASX), which relate to Independent Expert Reports.

This report is to be included in a Prospectus to be lodged with the ASIC on or about the 19th August 2002, presenting a 1 for 1 share rights offer at 2.3 cents per share and a capital raising of 140,000,000 shares at 2.5cents per share, to raise approximately $6.4 million, before costs associated with the issue.

SRK understands that approximately $2.7 million of this capital raising will be applied to geological work, mine maintenance and corporate costs in relation to the mineral assets, and that about $0.9 million will be available specifically for the initial exploration and evaluation of the BGF mineral properties up to December 2003.

1.2 Scope of Work

SRK has completed the following program of technical assessment:

- Review geological aspects of the portfolio of exploration and mining properties using appropriate methodology
- review of resource estimates and categorization
- Assessment of the Proposed Exploration programs for the above properties, and
- Provide a draft of the report for check by BGF, on accuracy and any material errors or omissions.

Where appropriate, and in accordance with ASIC Practice Note 55 and Update 183, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the properties concerned.

SRK has not been requested to provide an assessment as to the value of the mineral properties or on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore we have not offered any opinion on these matters.

Please note SRK was not commissioned to carry out any check analyses of significant assay results at independent laboratories as part of this report, and no independent resource estimates have been made by SRK on behalf of BGF.

1.3 Work Program and Site Visits

Members of the SRK team visited the Ballarat East Project on three occasions for a total of 7-person days during the period 6 February 2002 to 21 March 2002, as part of a previous independent geological review of the Ballarat Goldfield.

Site visits to Ballarat West, Berringa, Dunolly, Maryborough and Campbelltown were not undertaken, given that the main focus and value for BGF is the Ballarat East Project, and there has been a lack of, or only early stage, exploration, data synthesis or evaluation of these tenements by BGF.

1.4 Sources of Information

SRK has based its review of the BGF properties on information provided by BGF, along with technical reports by Government agencies and extensive and open discussions with senior geological and mine management staff of BGF. The principal relevant reports assessed are listed in **Section 3** of this Report.

A glossary of technical terms is contained in **Section 4.2** at the end of this report.

During the due diligence carried out for Eureka Capital Partners Ltd, SRK was provided with and reviewed an independent consultant's report on the Ballarat East Project, that was commissioned by a third party. That report is confidential to the third party and is not available to BGF and therefore, to this report. However, SRK does warrant that there is nothing in the confidential report that would materially alter our findings or opinions as expressed here.

1.5 Authors

The SRK team for this report consisted of the following geoscientists, with their respective areas of expertise denoted:

Dr. Mike Etheridge, PhD (Geol), Fellow AIG, Fellow TSE, Fellow AICD, Associate Consultant, Geologist – professional responsible for coordinating the preparation and contents of the Report; reviewed geology and exploration.

Mr. Chris Woodfull, MSc Hons (Geol), Member AIG, Senior Consultant, Geologist – reviewed geology and exploration.

Mr. Phillip Uttley, BSc Hons (Geol), Fellow AusIMM, Senior Consultant, Geologist – report review.

Dr. Stuart Munroe, PhD (Geol), Member AIG, Member AusIMM, Member SEG, Consultant, Geologist – initial geology report section review.

Each author is bound by the Code of Ethics of their respective professional organisations. Short resumes of each author are contained in **Section 4.1** at the end of this Report.

1.6 Statement of Capability

The SRK Group comprises over 500 professional staff, offering expertise in a wide range of resource engineering disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgement issues.

The SRK Group has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, Competent Persons Reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions world-wide. The SRK Group has also worked with a large number of major international mining operations and projects providing mining industry consultancy service inputs and has specific experience in transactions of this nature.

The authors of this report have had previous experience with other projects in the central Victorian Goldfields.

1.7 Independence

Neither SRK nor any of the authors of this report have any material present or contingent interest in the outcome of this reporting association with BGF. Nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK's fee for completing this Report is based on its normal professional daily rates, estimated to total $20,000, plus reimbursement of incidental expenses.

SRK has had the following association with BGF in regard to the mineral assets that are subject of this report over the past 2 years:

- Eureka Capital Partners Ltd – SRK completed an Independent Technical Review of the Geology and Resource Potential of the Ballarat Goldfield in February-March 2002, as part of a due diligence program. This work was undertaken by Dr Mike Etheridge, Mr Chris Woodfull, Mr Daniel Guibal and Mr Andrew Vigar. Dr Mike Etheridge and Mr Chris Woodfull are involved in the preparation of this Report. The review and report for Eureka Capital Partners forms the basis of this Report.

SRK Consulting has no material present or contingent interest in association with any of the above parties, or in any of the mineral assets being assessed or valued. SRK Consulting has no beneficial interest in the outcome of the technical assessment or valuation or capable of affecting our independence. SRK has not assessed any of its own work as part of this Technical Assessment.

SRK has made enquiries via electronic mail of all of the consultants involved in or aware of this Report if they, or any of their families or immediate associates, hold shares in BGF, or interests in any of the mineral assets that are the subject of this report. None of them have indicated that they do.

1.8 Warranties

The conclusions contained in this report have been based on the information supplied to SRK by BGF and their staff. SRK has exercised due care in reviewing all the supplied information and has used its best endeavours to ensure that all material information has been used in the technical assessment.

However, BGF has represented in writing, to the best of its knowledge, that:

- A full disclosure of all material information has been made to SRK that is relevant to this Report and that such information is complete, true and accurate.
- SRK has had complete access to BGF's personnel records to the extent required for a proper assessment of the mineral assets that are the subject of this Report.
- None of the information to be divulged in the Report is confidential.
- BGF has obtained the necessary approvals/exemptions from its various associates/contractors etc. to publicly release the information contained in this Report.
- The independence of SRK has been respected at all times.

1.9 Indemnities

Notwithstanding the above warranties, BGF has agreed to indemnify and to hold harmless SRK and its employees, officers and agents from and against all (including legal costs on a solicitor/client basis) or liability arising out of any misstatement or omission in any material or information supplied by BGF or its advisers to SRK.

1.10 Consents

SRK consents to this Report being included, in full, by BGF in their Prospectus to shareholders, in the form and context in which the technical assessments are used to assess the potential of mineral assets, and not for any other purpose.

SRK provides this consent provided that the technical assessment expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

1.11 Material Agreements, Tenements and Native Title

During the course of this Technical Assessment, SRK has viewed tenement lists and maps covering the principal mineral assets subject of this Report as kept in the BGF exploration offices. SRK has not inspected the original tenement documents or BGF's tenement management system.

SRK did not independently verify the validity or current status of any tenements or applications for tenements; nor did SRK review Native Title claims to any of the areas covered by BGF tenements and renewal applications.

1.12 Proposed Transactions

SRK has not viewed, or is aware of any transactions that will take place in relation to the mineral assets that are subject of this Report.

2 Projects

2.1 Ballarat East and West Projects

2.1.1 Introduction

The Ballarat East and West projects are located within the City of Ballarat, Victoria, and centred on the regional town of Ballarat and its historic goldfields (**Figure 2**). The former project lies wholly within and below the city.

2.1.2 Tenements

The Ballarat East Project consists of 3 current Mining Licences (MINs 4621, 5037 and 5038), 3 current Mining Leases (MLs 1158, 1745 and 1746), 4 current Mining Area Licences (MALs 26, 27, 29 and 37) and 1 Exploration Licence (EL 3018) (**Table 1**). A renewal application for EL 3018 has been submitted and is yet to be granted. The Mining Licence tenement package is an area of 661.45 ha which attracts an annual rent of $12,883 and an annual expenditure requirement of $1,150,000. The annual renewal for EL 3018, an area of approximately 25 km^2 (or 2,500 ha), is $196 with an annual expenditure requirement of $25,000.

The Ballarat West Project consists of 1 current Mining Licence (ML 4953), which is an area of 498 ha, and 2 neighbouring Exploration Licences (EL 3391 and 3714), totaling approximately 101 km^2 (or 10,100 ha) (**Table 1**). Renewal applications have been submitted for both ELs. The annual rent for MIN 4953 is $12,490 with an annual expenditure requirement of $165,000. The annual renewal for ELs 3391 and 3714 is $485 with an annual expenditure requirement of $75,000.

SRK understands that the Ballarat East Project Mining Licences are fully permitted with a "right to mine" and no outstanding conditions or issues relating to Native Title claims or mining within and under an existing township. SRK also understands that the Ballarat West Project Mining Licence is also fully permitted, although the Work Plan is approved for exploration work only.

Table 1. Ballarat Goldfields Tenement Summary

PROJECT	Tenement Type	Status	Total Area	Annual Expenditure Requirements	Annual Rent or Renewal Fee
Ballarat East	ML (3), MAL (4), MIN (3)	Current	661.45 ha	$1,150,000	$12,883
	EL (1)	Renewal application	25 grats	$25,000	$196
Ballarat West	MIN (1)	Current	498 ha	$165,000	$12,490
	EL (2)	Renewal application	101 grats	$75,000	$485
Berringa	MIN (1)	Renewal application	317.96 ha	$60,000	$7,974
Dunolly	MIN (1)	Renewal application	326 ha	$480,000	$8,176
Maryborough	EL (1)	Renewal application	191 grats	$150,000	$707
Campbelltown	EL (1)	Renewal application	26 grats	$50,000	$196
Total			**361 grats (approx.)**	**$2,155,000**	**$43,107**

Note 1 grat is equivalent to approximately 1 km^2 (or 100 ha).

2.1.3 Regional Geological Setting

The Ballarat region is located within the Bendigo Zone (**Figure 3**), a geological subdivision of Victoria, which consists of a thick sequence of deep water marine deposited quartz-rich metasedimentary rocks. The metasedimentary sequence is characterized by broadly north trending regional-scale fold structures, and regional west dipping reverse fault zones which have resulted in repetition of the sequence. Regional to sub-regional folding appears to be tighter in the immediate hangingwall of the regional or major reverse fault zones. The Ballarat goldfield is located approximately 2 to 3 kilometres west of an inferred regional reverse fault known as the Williamson Creek Fault, **(Figure 3).**

Regional fault zones, such as the Williamson Creek Fault, are considered an important factor in the development of gold deposits in the central Victorian goldfields. Although the regional faults do not typically host gold deposits, these faults are interpreted to provide a regional pathway for the distribution of gold-bearing fluids for many gold-vein style deposits in a range of terranes, including the central Victorian goldfield deposits. Gold mineralisation within the Bendigo Zone generally occurs within associated faults and structures to the west (or hangingwall) of these regional faults (Vandenberg et al, 2000).

The Ballarat goldfield occurs within a generally tightly folded, north striking sequence of sandstones, siltstones and slates. The historic East and West goldfields are approximately 1.5 km apart and occur on the east and west limbs, respectively, of a regional anticlinal fold structure (the Ballarat Anticlinorium).

gold mineralisation is broadly characterised by dominantly brittle deformation and the development of a range of mineralised quartz vein-breccia structures including west dipping, fault-associated quartz reef / spur systems, laminated bedding (sub)parallel quartz vein structures and fault-related "saddle reefs" **(Figure 4)**. The reefs and veins can vary in size and shape and typically contain coarse (or nuggets of) gold.

It is suggested that gold mineralisation occurred as a result of gold-bearing hydrothermal fluids channeled along regional fault zones precipitating in locally dilatent structural traps or irregularities during the late stages of E-W directed regional compression. This style of mineralisation is broadly similar to that found in the goldfields of central Victoria such as Bendigo and Castlemaine, (Vandenberg et al, 2000).

The Ballarat goldfield is the second largest historic producer in Victoria (total of ~ 12 million ounces gold) after Bendigo goldfield (total of ~ 22 million ounces gold) (Hill, 2002).

2.1.4 Coarse Gold, Resource Estimation and Exploration Strategy

The gold deposits of the central Victorian Goldfields are characterised by abundant coarse ("nuggety") gold, and complex geological controls on high grade gold distribution. The historic records at Ballarat contain numerous description of gold nuggets from 1 to 10's cm in diameter in quartz reefs and Indicator horizons, such as the Indicator Slate and the Western Indicator. Anecdotal evidence from Ballarat, plus the recent experience at Bendigo Mining's New Bendigo Project, suggests that >50% of the contained gold occurs as coarse (>1mm) nuggets.

The large proportion of coarse gold ("nugget effect") presents a severe sampling problem during exploration, because conventional drill samples are too small to provide reliable estimates of average gold grade. A drill hole has a high probability of passing through a mineralised reef without intersecting a nugget, and will therefore considerably underestimate grade. A few drill holes will sample gold nuggets, and will tend to return very high grades.

The "nugget effect" therefore requires that large samples are used to reliably estimate grade. The large samples can comprise either a bulk sample (at least several tonnes) mined directly from the mineralised reef, or a large number of drill samples from each mineralised reef. In deposits with abundant coarse-grained gold, drilling on conventional patterns is insufficient to reliably estimate gold grade, and will generally underestimate grade.

The abundant coarse gold described from historic mining at Ballarat has the following implications for resource estimation, exploration strategy and project evaluation:

- Moderately to widely spaced drilling, such as that previously undertaken from the surface by BGF, is unlikely to yield a reliable (or bankable) resource estimate that meets JORC Code guidelines. As we have stated elsewhere in the report, we prefer to use the informal term "Resource Potential", as defined by Bendigo Mining N.L. at the New Bendigo Project, to describe the approximately 1 million oz of gold outlined by the drilling to date.
- The historic underground mining provides a very large bulk sample, and therefore represents the best estimate of likely gold grade in the unmined reefs outlined by the BGF drilling. The fact that BGF's estimate from historic records of the goldfields' previously mined (recovered) grade (9.4 g/t gold) is similar to that estimated in 1992 from their surface drilling is encouraging.
- It justifies BGF's previous strategy of underground development as a platform for future exploration and eventual mining. This strategy has been successfully employed by Bendigo Mining N.L. to progressively add value to their New Bendigo Project, beneath the historic Bendigo workings. We note, however, that both the historic mining records and the modern exploration indicate that grades at Bendigo are 20% to 40% higher than at Ballarat.
- BGF's proposed exploration program for Ballarat East includes limited underground drilling and channel sampling of an "enriched zone" target area located near existing development. This work is to be completed as a continuing platform to test the rigour of a new geological model (discussed further in **Section 2.1.5** of this report) and a more reliable estimation of gold grade and a better understanding of the shape of an "enriched zone"

2.1.5 Project Geology

Ballarat East Project

The Ballarat East Project is centred on two anticlinal structures, the First Chance Anticline (FCA) and the Western Anticline (WA), and the intervening syncline (**Figure 5**), which are subsidiary fold structures to the major regional anticlinal feature. These two anticlinal lines were historically the major producers in the Ballarat East field. The project comprises a set of sub-parallel reefs or lodes in a narrow band, approximately 400m wide and 3,500 to 4,000 metres long. Historic mining along the East field was generally limited to a depth of approximately 350 m, however, historic records show that mining of the reefs extended to a depth of nearly 500m at a number of old mines (eg. New Normanby and North Woah Hawp shafts). On the basis of BGF drilling results, the reefs extend to a depth of at least 700m.

Historically, economic quartz-gold mineralisation occurred in the east limb of the anticlinal structures, associated with approximately 45° west-dipping fault structures, (known as Leatherjackets), which repeat at depth (**Figures 4 and 5**). These west-dipping faults are less well defined in the western limbs of the anticlines and may refract to become bedding parallel.

The main focus of historic mining was on the eastern, vertical to overturned limb of the FCA. Mining also occurred, but to a shallower depth along the structurally equivalent limb of the WA, to the west of the FCA (**Figure 5**).

The main gold-rich quartz vein structures in the East field are of three types / geometries (**Figure 4**):

- Dilational sites on the west dipping faults (or Leatherjackets),
- Shallowly, generally east-dipping tension veins (also known as Flats or Spurs), and
- Steeply dipping, bedding parallel to sub-parallel veins (or Verticals).

A series of steeply dipping fault structures (also known as Crosscourse faults) cut across the fold and mineralized fault trends. Three major Crosscourse structures appear to subdivide the East field along strike into three historic zones, the southern, central and northern areas. Another significant steeply dipping fault structure in the Ballarat East field is the Angle Slip and it is also considered by BGF to be unmineralised.

Ballarat East Geological Model

An analysis of historical mine data has indicated that gold enrichment (or potentially mineable target areas) generally occurred at the intersection of the west-dipping Leatherjacket faults with sub-vertical to steeply west-dipping "favourable zones", **(Figure 5).** The "favourable zones" included both lithological units (mostly slate beds with associated bedding-parallel fault zones, e.g., Indicator Slate, Western Indicator, Four Foot Slate, Main Reef) and structures (such as the hinge zone of the First Chance Anticline). **Figure** 5 schematically summarises the currently interpreted distribution of the potential target areas in the Ballarat East field, distinguishing those that have been attributed to historically mined areas from those that represent targets for future development. **Figure 6** provides a schematic view of the East field showing trends of historically mined Leatherjackets and projected trends of deeper unmined Leatherjackets and the "favourable zones". 49 target areas (occurring at the intersection of Leatherjackets and "favourable zones") have been interpreted by BGF at Ballarat East.

This geological model, combined with the results of widely spaced exploration drilling, has identified a number of new target areas below previous mine workings with associated high grade mineralisation. These target areas include intersections between previously unmined structures such as the No. 5 Leatherjacket (LJ5) and a new "vertical" structure, termed the Main Reef, (**Figures 5 and 6**). The majority of the published Inferred Resource is associated with the No 4 and 5 Leatherjackets (LJ4 and LJ5), mainly in association with the Main Reef, (**Figures** 7**a and 7b**). To date, higher-grade drill intersections on these structures mostly occur in the northern area of the field.

Two important features of the geological model which have implications for resource estimates and potential mining methodologies are:

1. Gold enrichment at potentially mineable grades is closely restricted to those parts of both Leatherjacket veins and spur veins where they intersect "favourable zones" such as Indicator beds (**Figures 5 and 6**), but historically "payable" quartz does extend along both the Leatherjackets and the spurs away from the "favourable zones".
2. The majority of the quartz-vein material of all types is low-grade. This has important implications for resource estimation from drilling and for grade control.

It is important to understand that the geological model was developed in 2000-2001 i.e., since the completion of all of the exploration drilling and underground development in 1998, and, therefore, that there has been limited specific testing of the model and the targets generated from it. However, the historic mining data combined with BGF's limited drilling data can be used to assess the robustness of the BGF model and targets.

SRK considers that the BGF geological model is robust and that it provides a sound basis for drill targeting and improved definition of the resource potential and its potential mineability at Ballarat East. It is suggested that not all target areas are geologically equivalent in detail, and, more importantly, that they cannot be regarded as having equal mineralizing potential.

Ballarat West Project

BGF work on these projects has been limited to initial data evaluation and exploration scoping work following the acquisition of Phoenix Resources by BGF in July 1998. BGF considers this project a high priority geological and exploration evaluation project within their tenement portfolio, given its proximity to the Ballarat East project. A site visit to the project area, by the SRK project team, was not undertaken or deemed necessary, given the limited nature of exploration work available for review on-site, and the negligible exposure of key host rocks and potential target structures. BGF exploration notes and accompanying geology plans, as well as discussions with key BGF staff, have formed the basis of the SRK technical assessment of this area.

The Ballarat West Project is located beneath basalt cover and centred on three anticlinal structures or lines, the Consols, Guiding Star and Albion, and the intervening synclines **(Figure 8).** The anticlinal folds are more openly folded structures, when compared to the East field structures, and occur on the western limb of the regional Ballarat Anticlinorium. Historic mining along the West field was deeper than the East field, with a maximum depth of mining of approximately 950 m in the southern part of the field, where mines were following the pitch of mineralisation associated with the Consols Lode (**Figure 8**).

The geological model for the Ballarat West area is less mature, and is limited to preliminary historical data compilation and related computer modelling work.

The historical style of mineralisation was different to the East field, with economic gold mineralisation mainly associated with bedding-parallel, steeply west-dipping, narrow, laminated quartz lodes developed in the Western limb of the anticlines, on the hanging and footwall of a 'favourable' dark slate horizon **(Figure 8).** Other styles of mineralisation included quartz stockworks or saddle reef-like lodes in anticlinal and synclinal closures.

2.1.6 Previous Mining and Exploration

Between the late 1850's and 1918, approximately 12 million ounces of gold was produced from the Ballarat East and West goldfields. Production was predominantly from alluvial workings, where approximately 9.5 million ounces of gold was mined. Recorded quartz reef mine production from the East and West fields totaled 1.7 million and 0.8 million ounces of gold respectively. The average recorded (recovered) grade for quartz reef mining at Ballarat East and West between 1890 and 1910 was 9.4g/t gold but was higher for West field, (approximately 14 g/t gold).

Quartz reef mining in the Ballarat fields commenced within 10 years of the initial discovery of alluvial gold in 1851, however, the most productive period of reef mining particularly on the East field was between 1890 to 1910 (O'Neill et al., 1992). After 1910, the mines became less profitable and a range of factors including increasing labour costs, personnel and fuel shortages due to World War 1 (and subsequently water pumping issues as mines progressively closed), resulted in the final mine closures in 1917 (O'Neill et al., 1992).

The most recent and significant exploration work, by BGF and for a short period, joint venture partner Peko-Wallsend Operations Limited (Geopeko), has included compilation of historical mining data for the Ballarat East and (to a lesser extent) Ballarat West projects and related computer modelling, widely-spaced diamond drilling below the historic Ballarat East goldfield and limited underground development work.

Prior to 1985, BGF undertook studies of the historical records of the Ballarat East mines, concluding that the mines were closed due to a range of economic (investment, manpower and water management) circumstances and not due to a lack of gold mineralisation (see above). Between 1985 and 1988, BGF carried out a program of diamond drilling to test for the continuation of geology and mineralisation below the historic mines. This program consisted of approximately 8,400 metres of coring, along a strike length of 350 metres, at a spacing of approximately 80 metres by 80 metres.

BGF's initial development strategy was to access the shallow Western Leatherjacket and explore for additional resources near proposed development access. This subsequently was extended to accessing deeper resources associated with the Main Reef and the 'lower 'Leatherjacket (now interpreted as LJ5), as ongoing exploration drilling work intersected additional gold mineralisation at depth.

In 1988, BGF made two unsuccessful attempts at drilling a vertical shaft into the Ballarat East deposit. Work was suspended following the collapse of the shaft walls in the second attempt. In 1991, BGF conducted a major engineering review of the project, resulting in the positioning of the optimal underground access to the mine.

An additional 11,000 metres of diamond core drilling was completed under a joint venture between BGF and Geopeko between 1991 and 1992. This drilling program tested beneath the old mine workings in the zone 350 to 700 metres below the surface along an extended strike extension of 2,800 metres.

The two drilling programs identified a number of significant gold-quartz vein structures below the old mine workings to a depth of approximately 700 m below surface. In 1992, based on the 1985 to 1992 diamond drilling results, BGF published an Inferred Resource of 3.3 million tonnes at 9.5 g/t gold, or approximately one million ounces of gold, mainly between the 300 to 700 metres below surface, (Livingstone & d'Auvergne, 1992) (refer also to **Section 2.1.7** of this report).

During 1994, BGF commenced decline construction and subsequently completed approximately 1800 m of underground development to a depth of 135 m below surface during the period 1994-1996. This development

work included 960 m of decline development, a ventilation cross-cut development to the North Woah Hawp Shaft, and exploratory cross-cut and development driving, on the 130 m Level, on structures / zones that BGF considers correlate with the historic "12 Foot Slate" and "Mundic Slate" (i.e., "favourable zones") and / or No 1 Leatherjacket (LJ1).

Limited, targeted surface (2 holes in the southern area of the mine) and underground (in the vicinity of the 130 m Level) diamond drill exploration work was also carried out around this period of development. Exploration drill holes were targeted on LJ1, in an area between the New Normanby and North Woah Hawp mines which did not appear to have been historically mined. A number of the early drilling results from the main decline, provided encouragement for further drilling targeting the LJ1 structure (e.g., diamond drill holes DED006 3.3m @ 11.6 g/t gold, DED011 7.8m @ 11.1 g/t gold and DED013 3.2m @ 2.03 g/t gold). Other holes drilled from the surface and underground did not return gold assays of significance on the LJ1 structure. The 130 m Level exploratory cross cut and development driving included limited accessing of LJ1, however, a cross-cut fault on the 130 m Level south drive, offset the LJ1 structure and the drive continued in the footwall, (i.e. below the LJ1). Gold assay data from the drilling and limited development drive sampling has to date indicated the grade of the LJ1 structure to be low, in the order of 1.5 to 2 g/t gold. No formal resource estimate, for the LJ1 structure in this area of the mine, has been calculated by BGF.

2.1.7 Exploration Potential

Gold Resources

BGF published in 1992 an Inferred Resource for the Ballarat East project of 3.3 million tonnes at 9.5 g/t gold containing approximately 1 million ounces gold, (Livingstone & d'Auvergne, 1992).

54 ore blocks exceeding a block cut off grade of 4.5 g/t gold were defined in the Inferred Resource estimate, with gold assay values exceeding 100 g/t gold cut back to 100 g/t gold for the calculation. Significant drill intersections used in the resource estimation included:

Hole ID	Intersection		Intersection length (m)	Gold grade (g/t)
	From (m)	To (m)		
BDD1B	451.5	458	6.5	4.99
BDD1C	534.4	550.8	16.4	4.48
BDD2A	243.6	265	21.4	5.64
BDD2F	249.75	261.8	12.05	5.65
BDD4	645.5	664.2	18.7	6.95
BDD4A	644	656.3	12.3	10.37
BDD4B	566.75	570.55	3.8	7.97
BDD4D	453.9	458.4	4.5	21.67
BDD5A	238.15	255	16.85	5.35
BDD7A	640	670	30	4.85
BDD7B	472	476	4	5
BDD7B	495	499	4	7.15
BDD7B	620	624	4	19.06
BDD7C	580	592	12	6.26
BDD8A	618	625	7	6.2
BDD8A	646	672	26	4.49
BDD8E2	596	602	6	23.47
BDD10	475	477	2	9.65
BDD12	486	488	2	14.32
BDD12	491	494	3	6.25
BDD12B	743	748	5	13.59

Table 2. Summary of significant drill intersections used in BGF's 1992 resource estimation.

The drill section spacing varied from approximately 80 to 600 metres. The shapes of the 1992 resource model developed by BGF (based on sectional interpretation and projection of polygonal intersections between section lines) appear to broadly reflect historic stope shapes. However, the BGF strike lengths are determined entirely

by drill spacing, and do not reflect likely geological controls, including the more recently developed conceptual geological model for the "gold enriched target areas" (discussed above in **Section 2.1.5**), or historic stope lengths (as schematically presented in **Figure 6**).

The term "Resource Potential" while not recognized by the JORC code, has been used for example, by Bendigo Mining N.L. in public reports (SRK, 2001; Hill, 2002), to describe and quantify mineralisation predicted to occur at the New Bendigo Project on the basis of a conceptual geological model, but without the sampling density or geological confidence in location or continuity required by the JORC "Inferred Resource" category. The confidence in the quantification of "Resource Potential" at Bendigo was based largely on detailed and rigorous reconstruction of historically mined material, and its downward projection according to a model of structural repetition. As at Ballarat, the initial "Resource Potential" was partly tested by limited drilling. A key factor in using the term "Resource Potential" rather than Inferred Resource is the uncertainty of gold grade defined by drilling in what are very nuggety deposits.

The informal term "Resource Potential", to discuss the mineralisation at Ballarat, is preferred by SRK because of the combination of widely spaced drill sampling (limiting the sample density and geological confidence) and the very nuggety gold distribution. It is acknowledged that the classification of an Inferred Resource can be justified, but it is recommended that additional drill confirmation of the scale and continuity of the target areas / resource blocks is required before doing so.

Based on our qualitative assessment of the BGF geological model and data, and our report experience working with the New Bendigo Project, **SRK considers that there is a moderate to high probability that the Ballarat East project will deliver the grades and tonnages inferred by the BGF 1992 resource estimate at depths between about 350 and 700m.** The principal geological risks are related to lack of continuity and/or scale of economically mineable grades, and the potential for significant dilution resulting from poor definition of high-grade block boundaries.

Until the geological model has been more thoroughly tested by further exploration drilling, and the volumes and geometries of resource blocks can be more precisely constrained by this exploration work (and also by trial mining where practicable), SRK considers that the size of potential resource blocks be limited to the average mining dimensions of relevant historic stopes.

SRK considers that the next stage(s) of exploration at Ballarat East should be oriented more towards refinement of the geological model, more precise determination of the shapes and extents of individual "enriched zones", and understanding of the detailed geological controls on gold distribution.

A preliminary target assessment of the Ballarat West project has been undertaken by BGF geological staff, which includes extensions to existing mineralised lodes and repetition of 'dark slate' and/or saddle reef structures, (BGF, 2002a).

Additional Resource Potential

The Ballarat Goldfield is unusual among Victorian goldfields, and especially compared to the Bendigo field, in its low ratio of hard rock to alluvial production. Recorded / estimated alluvial production was around 10 million ounces, compared to recorded hard rock production of about 2.5 million ounces, of which about 2/3 came from Ballarat East and 1/3 from Ballarat West.

It is clear from historic and anecdotal records that a significant proportion of underground production came from private companies, and was therefore either not reported at all, or under-reported. However, the private production is unlikely to have been more than about 0.5 million ounces, resulting in an alluvial production that was three to four times the hard rock production. As a comparison, the equivalent Bendigo alluvial:hard rock production ratio was approximately 1:4 (Hill, 2002).

This apparent imbalance of alluvial to hard rock production raises the question of what was the source of the alluvial gold, and leads to the following preliminary conclusions:

- Most of the alluvial gold came from preserved stream channels (deep leads), modern stream channels and neighboring gravels that occur at much the same elevation across the whole field. There is no evidence that the Ballarat area was topographically lower than the surrounding ancient plain at the time. The

mineralized leads /stream channels have a partly meandering pattern and are surrounded by extensive thin sand and gravel sheets, indicating development on a flat to gently warped plain. Given that erosion and drainage will tend to disperse gold and other material away from its hard rock source, we conclude that the majority of the alluvial gold in the Ballarat goldfield came from hard rock sources in essentially the same area.

- The hard rock mining in the Ballarat East and Ballarat West areas produced about 2.5 million ounces from systematic and reasonably thorough mining of the upper 300-400m. If these areas contained the bulk of the hard rock gold in the field, a simple extrapolation suggests that the 10 million ounces of alluvial gold must have been derived from a vertical extent or lateral equivalent, now eroded away, equivalent to 4 times the historic mining, or about 1,400m. We consider that it is geologically unlikely that gradual erosion of a flat plain through 1,400m vertically took place, while retaining all of the gold in the immediate area. Any historic topographic relief in the area would have resulted in dispersal of at least a significant proportion of the gold. This simplistic calculation ignores the potential hard rock contributions to the alluvial gold budget in the Ballarat area, from small veins and low-grade accumulations and also from other local sources, e.g., neighbouring anticlinal lines i.e. the lateral extent of the field is possibly much larger than the main historically mined fields. However, this is balanced to some extent by the tendency for the alluvial systems to transport some of the gold, especially the finer portion, outside the area.

Experience at other goldfields in Victoria suggests that the historic miners were quite effective explorers, so why did they not find the above hard rock sources, if they indeed exist? There are three principal reasons why early exploration may not have been as effective at Ballarat as, say, at Bendigo:

1. The Ballarat West anticlinal lines and about 40-50% of the alluvial workings are covered by the younger Basalt and there appears to have been little systematic exploration beneath the basalt.
2. Most of the gold mined underground occurred in sub-horizontal "shoots" (the "gold enriched target zones" of BGF) with vertical extents of only 10-50m. The mineralizing structures (both Leatherjackets and Indicators) between these "shoots" were very narrow and only rarely or inconsistently contained "payable" gold. Based on the historical data and supported by BGF's limited drill data, the probability that some of the many unmined structures identified throughout the field pass down dip into "enriched zones" is considered to be moderate to high.
3. It appears that underground exploration until late in the life of the field was very much on the Indicators rather than on the larger, more consistently productive, but somewhat lower grade Leatherjackets. The narrow Indicator horizons, (e.g, Indicator Slate), with their very discontinuous gold grades away from Leatherjacket and/or Spur vein intersections, would have made difficult targets for the style of prospecting likely at the time.

SRK therefore concludes that there are likely to be additional, potentially economic underground resources in the Ballarat Goldfield that were not discovered or exploited by the historic miners and that these untested sources have the potential to be significant, i.e., of comparable scale to the known historic workings.

In addition to the Resource Potential of at least 1 million ounces of gold presently identified between approximately 350 to 700 m depth below the historical Ballarat East field (refer above to **Section 2.1.7**), BGF has identified the following key exploration target areas in the Ballarat goldfield area, as part of a broader empirical assessment of the goldfields resource potential:

- Between 700m and 1500m depth in Ballarat East project area (i.e., below LJ6), consisting of a 1-2 M oz target resource potential. This target relies upon the repetition of the mineralisation below LJ6. The principal risk is that this Leatherjacket structure represents a structural floor to the ~ 100m vertical Leatherjacket repetition. **However, SRK considers that there is a moderate to high probability that gold-bearing structures are repeated below this fault to a depth of at least 1000m and likely to 1500m, although their structure and tenor may be different from those in the higher levels.** Our opinion is based on the likely continuity of the basic geological setting and the mineralising system to depths of at least 1500m, as recently demonstrated at New Bendigo as well as the deeper historic mining depths carried out at the West field.
- Between 200m and 700m depth within the Western Anticline of the Ballarat East project area, consisting of a 0.5M oz target resource potential. This target relies upon the vertical repetition of the shallow, historic Sulieman and Western lodes, and projections of Leatherjackets 1 – 5 down dip from the FCA and

WA. **SRK considers that there is a moderate to high probability that structural repetition will occur, but the principal risk rests in the size and grade of the proposed "enriched zones".**

- Between 0m and 700m depth within the Ballarat West project area, consisting of 0.5M oz target resource potential. This target relies upon extensions to the known reef/lode systems, especially on the historically less developed Albion and Winters lines. Noting that historical exploration has been constrained by basaltic cover, **SRK considers that there is a moderate probability that such extensions will occur.**
- Between 700m and 1,500m depth within the Ballarat West project area, consisting of 1M oz target resource potential. This target relies upon a repetition of structures and lode systems associated with deeper slate units and faulted anticlinal hinges. **SRK considers that there is a moderate probability that mineralisation is repeated below historic workings and/or along the strike of known reefs.**

2.1.8 Exploration Strategy and Budget

BGF has outlined an exploration strategy for their central Victoria goldfield projects in Section 5 of this Prospectus. A summary of the proposed exploration and estimated exploration expenditure is provided in **Table 3** of this report.

Ballarat East Project

The proposed Ballarat East project strategy builds on the new understandings of the "enriched zone" geological model and includes:

- Ongoing interpretation/refinement to the model using a 3D geological/resource modelling and mine planning software package; and,
- Limited underground drill testing and sampling associated with likely extensions to existing development workings) to better evaluate "enriched zone" targets and assist in future development and exploration drill planning.

SRK considers this is an appropriate exploration strategy which should improve BGF's understanding of the "enriched zone" targets, as well as provide improved definition on the resource potential and exploration targeting at depth.

The budgeted expenditure of approximately $480,000 for the period up to December 2003 is consistent with the status and resource potential of the project and the overall size of the proposed exploration budget.

Ballarat West Project

The proposed Ballarat West Project exploration strategy consists of:

- Further collection/collation of historic mine workings data, including the compilation of this data into a 3D geological/resource modelling software package,
- Development of an 'early' geological model, and
- Drilling one exploration drill hole from the surface to evaluate the 'early' model.

SRK considers that a more thorough analysis of the historic mine workings data, including 3D digital compilation of this data and the development of a preliminary 3D geological model, is an essential first step in defining priority drill targets (and subsequent evaluation of the model). We also agree with the inclusion of some initial diamond drilling to test the target concepts and potentially identify mineralised structures at depth. The inclusion of more than one diamond hole (e.g. 2 or 3 on one drill section, which would be subject to budgetary constraints) will provide a better drill data set for testing the rigour of the model.

The budgeted expenditure of approximately $260,000 for exploration in the period ending December 2003, is sufficient to meet the current proposed exploration program and is commensurate with the resource potential of the area and proposed overall total exploration budget for the BGF project areas.

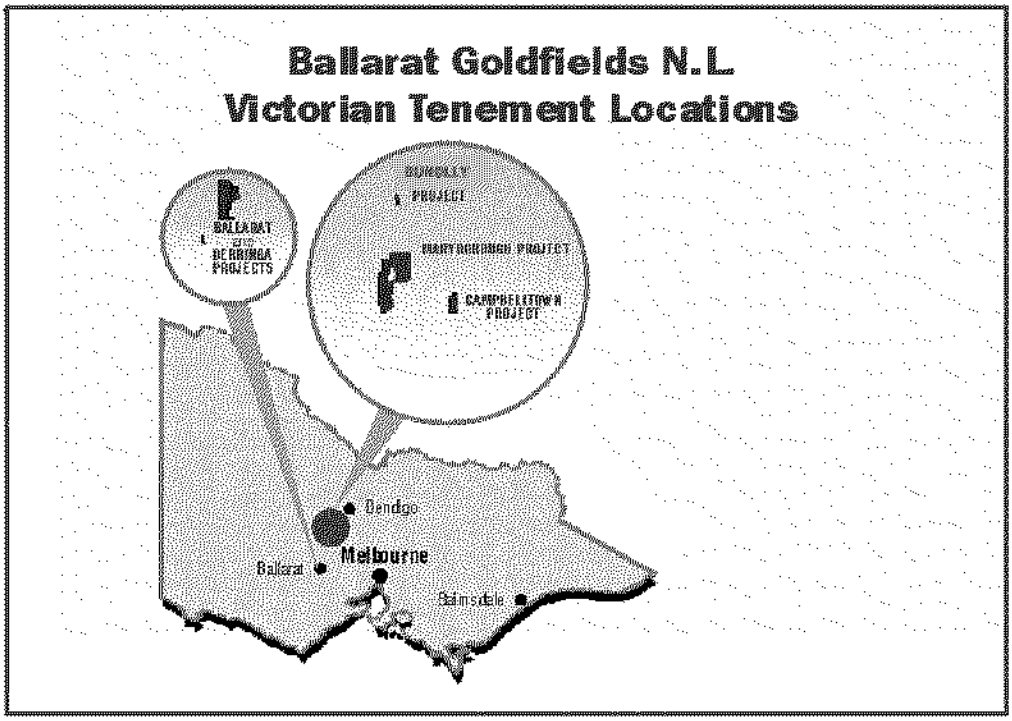

Figure 1. BGF Tenement Location Map

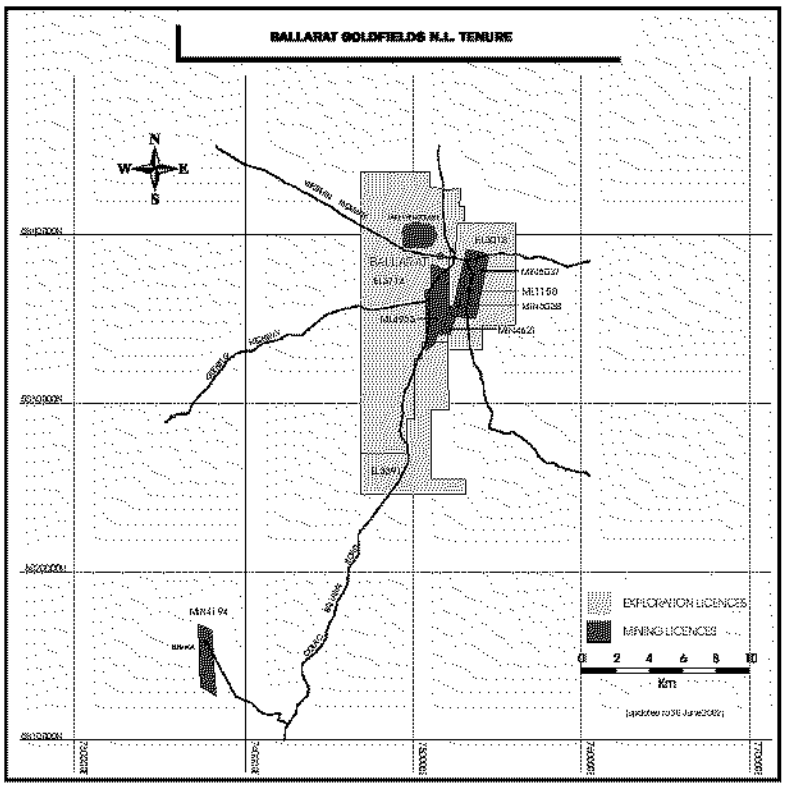

Figure 2. Ballarat East and West Projects Location Map (showing proximity to town centre)

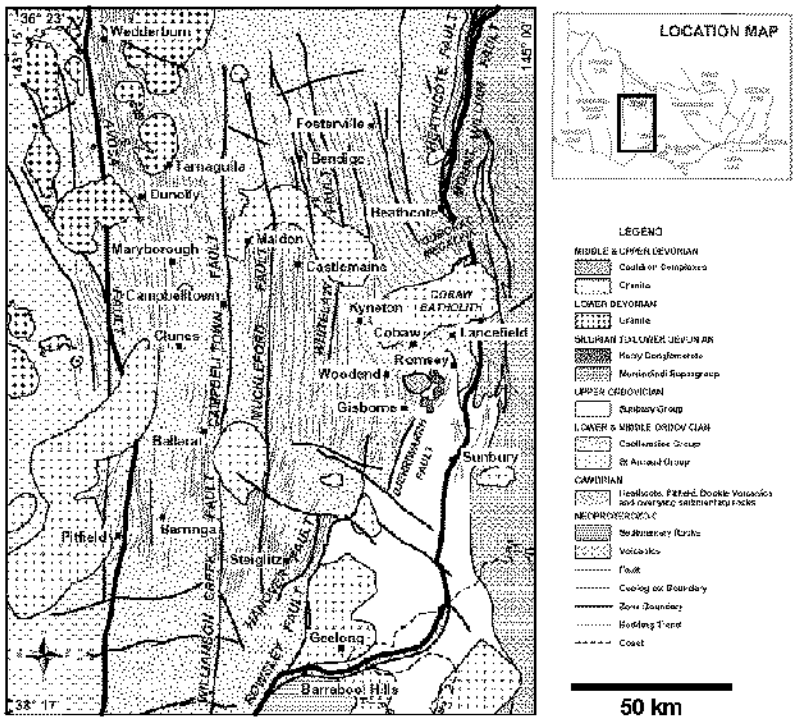

Figure 3. Generalised Geological Map of the Bendigo Zone.

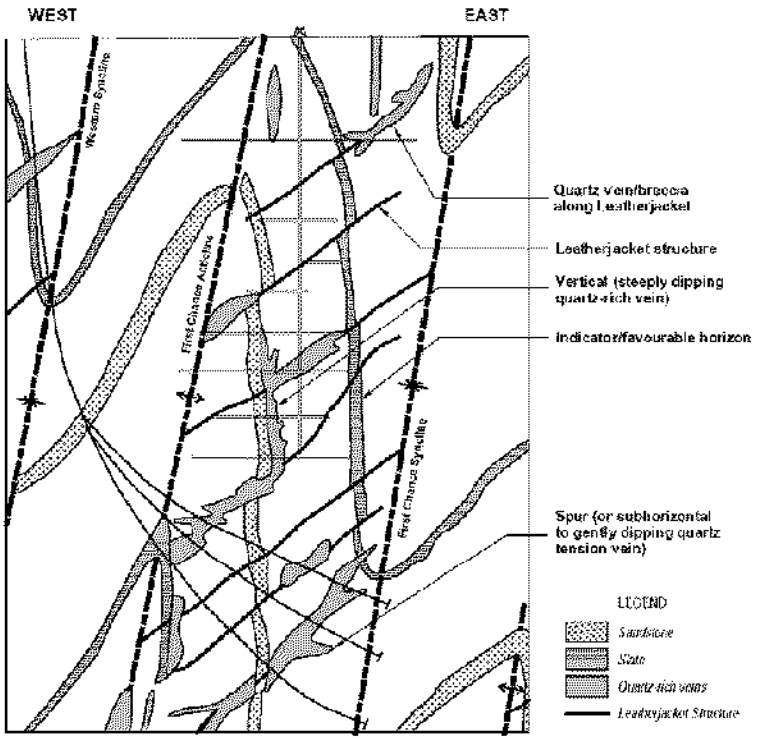

Figure 4. Generalised geology cross-section of the Ballarat East field.

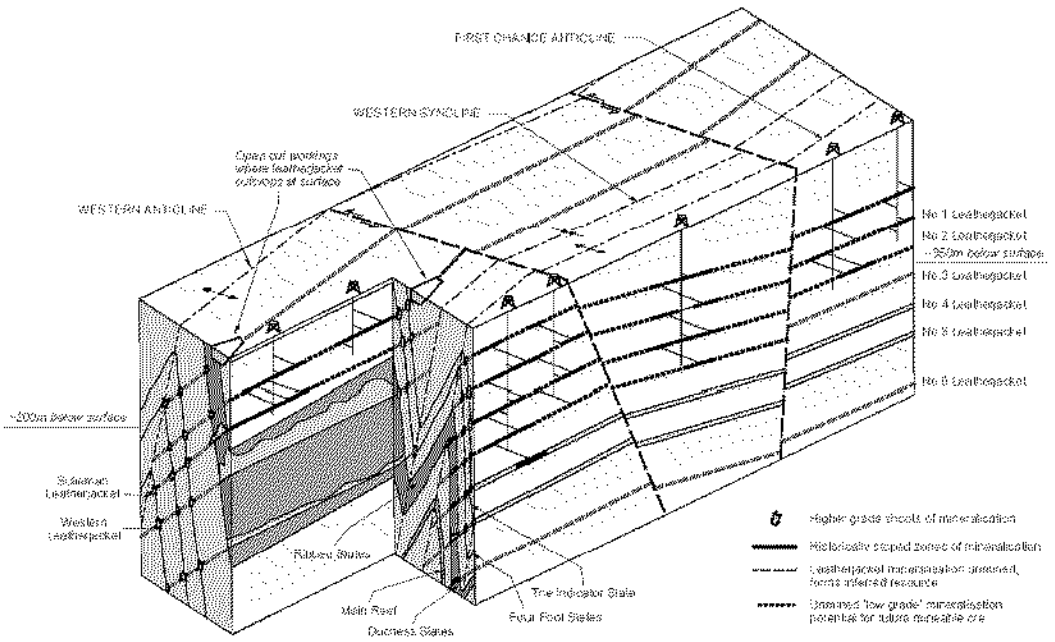

Figure 6. Schematic 3D view of the Ballarat East Project (showing historically mined Leatherjackets and unmined and projected "favourable zones").

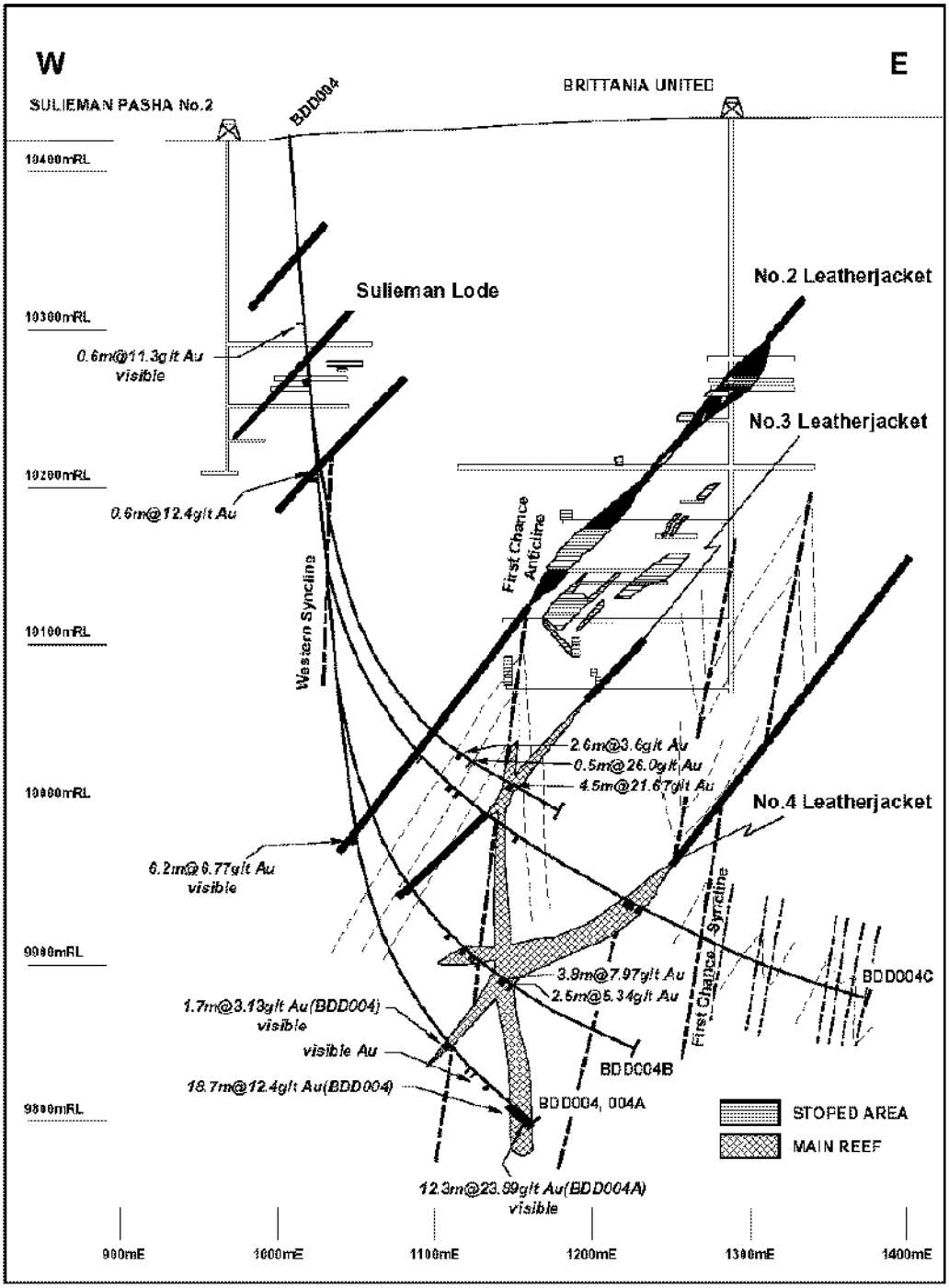

Figure 7(a). Cross-section 4164m N, Ballarat East Field

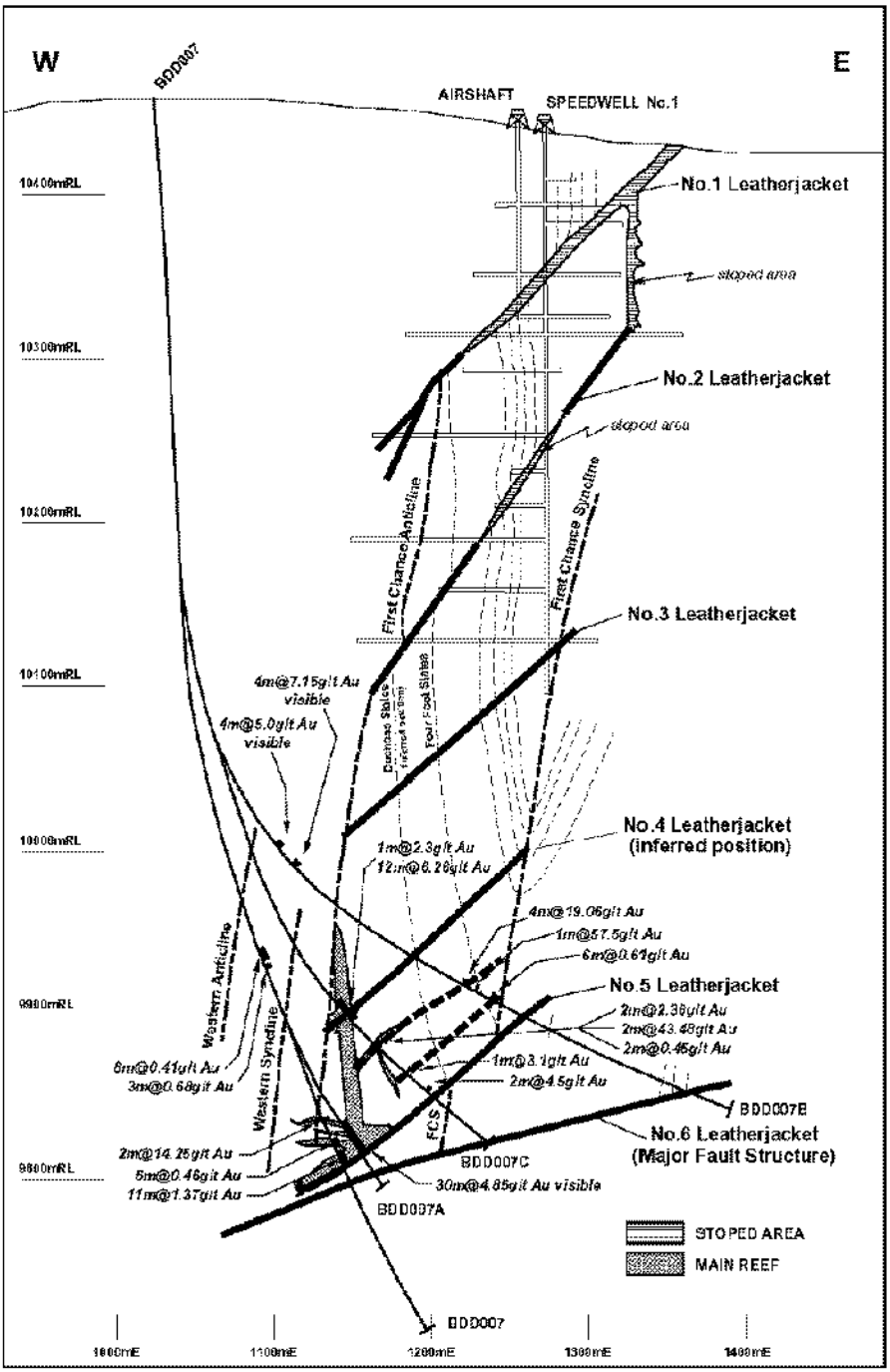

Figure 7(b). Cross-section 3056m N, Ballarat East Field

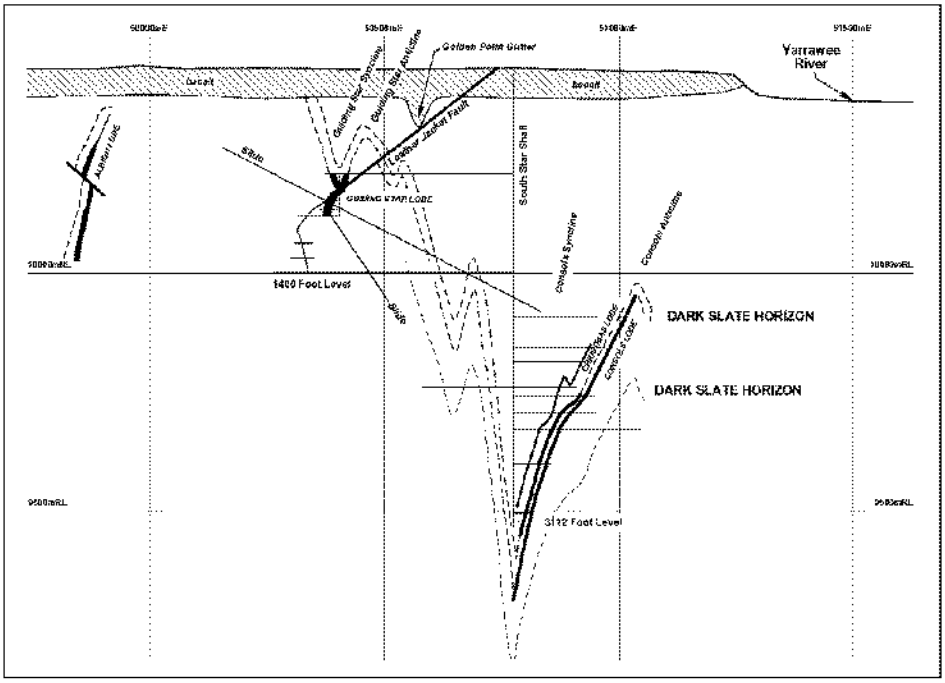

Figure 8. Schematic cross-section of the Ballarat West Field and quartz reefs mined.

2.2 Berringa Project

2.2.1 Introduction

The **Berringa project** is located approximately 35 km south west of Ballarat and is centred on the historic Berringa goldfield **(Figure 9)**.

BGF work on these projects has been limited to initial data evaluation and exploration scoping work following the acquisition of Berringa Resources by BGF in August 1998. Based on the proximity of the Berringa Project to the Ballarat Projects, a similarity in the geology and apparent style of mineralisation to the Ballarat fields, BGF considers this project a higher priority geological and exploration evaluation project within their tenement portfolio than the Dunolly, Maryborough and Campbelltown Projects. However, a site visit by the SRK project team was not undertaken, given the limited exploration work available for review and also the principle focus and value within the BGF properties is the Ballarat East project. BGF exploration notes and accompanying historical geology plans as well as discussions with key BGF staff have formed the basis of the SRK technical assessment of this project.

2.2.2 Tenement Status

The Berringa Project consists of 1 Mining Licence (MIN 4194), which is an area of 317.96 ha, with an annual rent $7,974 and an annual expenditure requirement of $60,000 (**Table 1**). A renewal application has been submitted for MIN 4194. SRK understands that the Work Plan for this Mining Licence is for exploration work only and that there are no outstanding conditions or issues relating to Native Title claims.

2.2.3 Regional Geological Setting and Project Geology

The Berringa area, also located within the Bendigo Zone (**Figure 3**), is characterised by a comparable geology and structural setting to the Ballarat goldfields (refer to **Section 2.1.3**). The metasedimentary rocks are characterized by broadly north trending chevron folds which define regional-scale fold structures, and regional west dipping reverse fault zones and regional to sub-regional folding appears to be tighter in the immediate hangingwall of a regional or major reverse fault zone, in this case the inferred Berringa Fault.

The main workings of the historic Berringa goldfield are an approximately 500 m wide and 3000 m long zone (Taylor et al 1996), centred on a regional scale anticline within the hangingwall of the inferred Berringa Fault. Historic mining was limited to depths of 300 m (Taylor et al., 1996).

Gold mineralisation is comparable to styles and gross geometries of vein mineralisation documented at the Ballarat goldfield, (in particular the West Field), including multiple fault-associated, west dipping quartz vein structures which BGF considers to repeat at depth. The vein structures vary from laminated bedding (sub)parallel "reefs", (steeply dipping "sheets") to more massive quartz reef / spur systems where the faults cross cut bedding and "saddle reefs" (shallower dipping "shoots").

2.2.4 Previous Exploration

Historic production from the Berringa field has been estimated at 300,000 oz at a recovered grade of about 8.65 g/t gold, with gold production coming from five main mines.

The project includes the small 'Southland Resource', comprising an Inferred Resource of 17,000 tonnes at 7 to 8 g/t gold (equivalent to approximately 4,000 ounces of gold) and a Measured Resource of 10,000 tonnes at 7 to 8 g/t (containing approximately 2,250 ounces of gold), (BGF, 2000c). The Southland resource was estimated from underground exposures in a very limited area around the Southland shaft, when it was sunk by previous owners.

BGF exploration work has currently been limited to a scoping study and which considers the style and apparent repeated nature of reef development at the field comparable to the Ballarat area.

2.2.5 Exploration Potential

A BGF exploration potential document and discussions with BGF staff have formed the basis of this project review. As part of the preliminary target assessment, a possible target potential of 1.3 million ounces to a depth of 600 metres was initially identified, assuming extensions to existing lodes and repetition of quartz reef structures, (BGF, 2002b). For this Prospectus, BGF has assigned a more conservative target resource potential for Berringa of 750,000 oz gold to a depth of 700 metres (refer to Section 5 of the Prospectus document).

Based on the information provided to SRK, there appears to be moderate to good potential for the discovery of significant gold mineralisation in the project area that could deliver resources to the Ballarat project. However, we consider that the Berringa Project has yet to be systematically explored in a way appropriate for this style of mineralisation, with only a preliminary level of historical and more recent geological data synthesis undertaken to date. Further data synthesis and evaluation is needed to assist in developing a more refined and robust geological model (comparable to the Ballarat East model), to provide priority targeted follow up drill exploration work.

2.2.6 Exploration Strategy and Budget

The proposed Berringa project exploration strategy is based around identifying drill targets to direct future exploration. This strategy includes:

- A review of historical mining data,
- Completion of detailed surface mapping and trench sampling, and
- Compilation of this historical data and mapping/sampling data

In SRK's opinion, this program should achieve the priority task of determining the geological controls on historically mined high grade gold lodes so that conceptual targets can be refined/assessed and higher ranking drill targets are identified. The budgeted expenditure of approximately $70,000 for the period ending December 2003 is consistent with the proposed exploration program and is consistent with the overall status/potential of the tenement area.

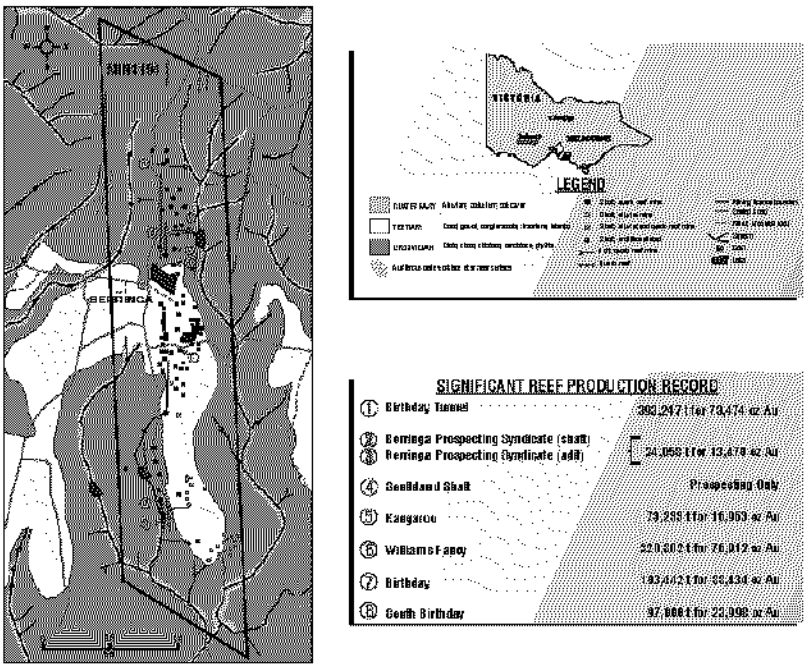

Figure 9. Berringa Project Location Map.

2.3 Dunolly, Maryborough and Campbelltown Projects

2.3.1 Introduction

The Dunolly, Maryborough and Campbelltown Projects are 3 closely located but geographically distinct exploration properties, situated approximately 55 to 75 km to the north of Ballarat and up to 55 km south west of Bendigo (**Figures 1 and 3**).

BGF work on these projects has been limited to initial resource and /or scoping studies, which followed the merger of BGF and Highlake Resources in 1998. Based on these studies, BGF considers these lower priority and lower value projects within their tenement portfolio. SRK did not undertake site visits to Dunolly, Maryborough and Campbelltown, given the main focus and value within the BGF properties is the Ballarat East project. The BGF studies have formed the basis of the SRK technical assessment of these 3 projects.

2.3.2 Tenement Status

The Maryborough Project consists of Exploration Licence EL 3626 and covers an area of approximately 191 km2, with an annual renewal fee of $707 and an annual expenditure requirement of $150,000. The Campbelltown Project consists of Exploration Licence EL 3377 and covers an area of approximately 26 km2, with an annual renewal fee of $196 and an annual expenditure requirement of $50,000 (**Table 1**). A renewal application has been submitted for both Exploration Licences.

The Dunolly Project consists of 1 Mining Licence (MIN 4837), which is an area of 326 ha, with an annual rent of $8,176 and an annual expenditure requirement of $480,000 (**Table 1**). A renewal application has been submitted for MIN 4837. SRK understands that the current Work Plan for this Mining Licence is for exploration work only.

SRK understand that there are no outstanding conditions or issues relating to Native Title claims with respect to these licences.

2.3.3 Regional Geological Setting

The Maryborough and Campbelltown Projects are located near the central region of the Bendigo Zone while the Dunolly Project is situated closer to the western margin of the Zone (**Figure 3**). The western margin of the Bendigo Zone is defined by the Avoca Fault, a steep west dipping reverse fault, that separates the north-north-west structural trend of the Stawell Zone from a more northerly trend present in the Bendigo Zone (Vandenberg et al, 2000).

The regional geology and structural setting of the three project areas is broadly comparable to the Ballarat Goldfields (refer to **Section 2.1.3**). The metasedimentary rocks are characterized by broadly north trending chevron folds which define regional-scale fold structures, and regional west dipping reverse fault zones and regional to sub-regional folding appears to be tighter in the immediate hangingwall of a regional or major reverse fault zone.

2.3.4 Dunolly Project

Project Geology

The Dunolly Project (also referred to as the Harvest Home Project) is situated approximately 5 km north-north west of the township of Dunolly, within the historic Dunolly-Moliagul goldfields **(Figure 10)**.

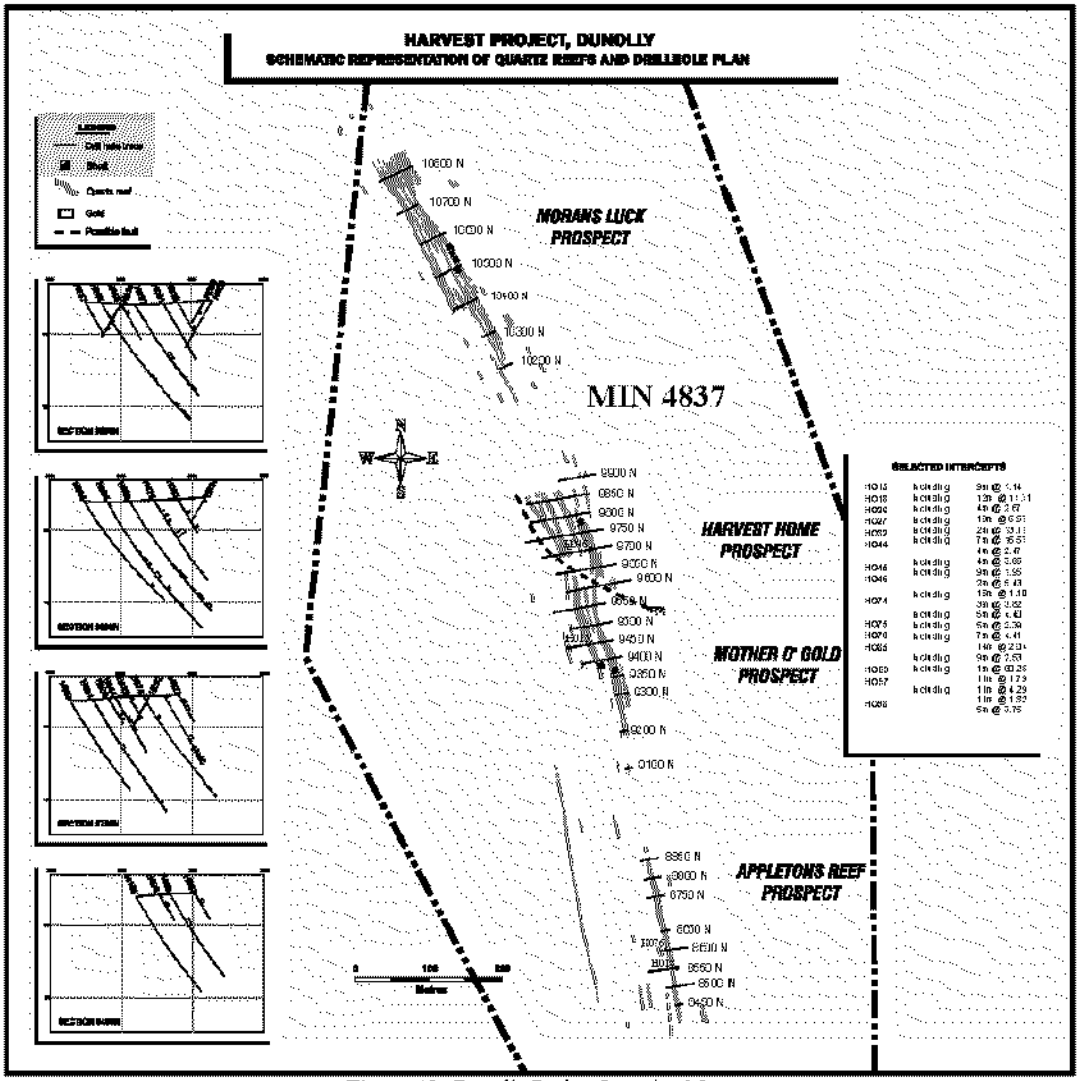

Figure 10. Dunolly Project Location Map

Previous Exploration

BGF exploration and evaluation work to date has been limited to a technical / scoping assessments on 2 prospects, Pearl-Croydon and Long Gully, within the project area and these assessments (BGF, 1999a, 1999b) have formed the basis of SRK's independent technical review of the geology.

Historical mining in the Maryborough goldfield included both alluvial and quartz reef mining although the depth of reef mining appears to have stopped at approximately 60 to 70 m depth, (approximately the top of the water table). Total gold production from the field is understood to be at least 1.3 million ounces of gold, and this production was mainly from rich alluvial deposits (BGF, 1999a).

Three 'zones' have been recognized across the field, based on local variations in structural geology and mineralisation detail, and these are the Amherst, central Maryborough and East Maryborough Zones, (BGF, 1999a).

Recent exploration work has been carried out by Highlake Resources from 1991 to 1998, and this work focused on 2 prospects:

- Pearl-Croydon deposit, located in the Amherst Zone, and
- Long Gully deposit, located in the central Maryborough Zone.

Other principal prospects in the project area include the Telecom Ridge, Wells Track, Whitehorse, Cleopatra and Talisman (BGF, 1999b and **Figure 11**).

The Pearl-Croydon deposit is a zone of moderate to steeply west dipping quartz lodes and associated gold mineralisation, traceable for 1.3 km along the eastern limb of an anticline in a predominantly siltstone, shale and minor fine sandstone sequence. A narrower parallel quartz structure in the western limb of the anticline has also been traced for approximately 300 m. Distinct zones of high grade mineralisation have been recognized and appear to be related to dilational structures at or near cross faults, (BGF, 1999a). Historically, the lodes were worked in both open cuts and underground stopes and the average recovered grade is reported as 6.1 g/t gold, (BGF, 1999a).

Exploration work includes a soil sampling and assay program and a limited RC drilling program undertaken at 40 m line spacing to a depth of approximately 80 m. Based on the drill data, a 1999 mineral resource estimate, recalculated by BGF for internal planning purposes, indicates a total resource of 1,034,000 tonnes at 2.5 g/t gold, including an Indicated Resource of 656,000 tonnes at 2.7 g/t gold and an Inferred Resource of 378,000 tonnes at 2.3 g/t gold.

The Long Gully deposit is a 20 to 60 m wide zone of shallow to steeply dipping quartz veins which form a low N-S trending ridge that has been traced for approximately 2 km, in a predominantly tightly folded sandstone sequence (BGF, 1999a, 1999b). The zone of quartz veining appears to occur on the east limb, or close to the fold closure, of the Long Gully anticline, (BGF, 1999b).

The ridge forms a boundary to (and is also locally cut by) extensively worked alluvial gullies and vertical 'lodes' which extend to a depth of tens of metres below the surface but not below 60 to 70m BGL, (BGF, 1999a). The zone of veining includes lower gold grade, shallow to moderate west dipping quartz vein stockworks or lodes and locally high grade, narrow, near vertical dipping quartz veins.

Exploration work has included a limited RC drilling program at 40 m line spacings over a strike length of 600 m, trenching and associated geological mapping and channel sampling, the drilling of 2 diamond drill holes to provide information on the geology and structure of the deposit and preliminary resource modelling. BGF suggests there could be a significant "nugget effect" at this deposit.

Exploration Potential

The majority of recent exploration work has focused on the evaluation of a potential near surface to shallow resource (within 100 m of the surface) at 2 prospect locations centred on historic shallow workings, using mainly soil / near surface sampling and RC drilling approach. While a number of encouraging drill-based intersections exist, there appears to have been difficulties in defining the continuity of gold mineralisation and veins, based on current data.

SRK considers the Maryborough Project area to be under-explored and requiring a more structured exploration strategy which includes a comprehensive data synthesis and analysis approach to assist with developing a geological model that allows a systematic targeting approach across the project area, including below existing historic workings. This approach has been successfully used at the New Bendigo project and more recently applied at the Ballarat East Project.

SRK considers the broader tenement area remains prospective for defining a significant mineralised zone, given its historic alluvial production and relatively shallow depth of historic mining.

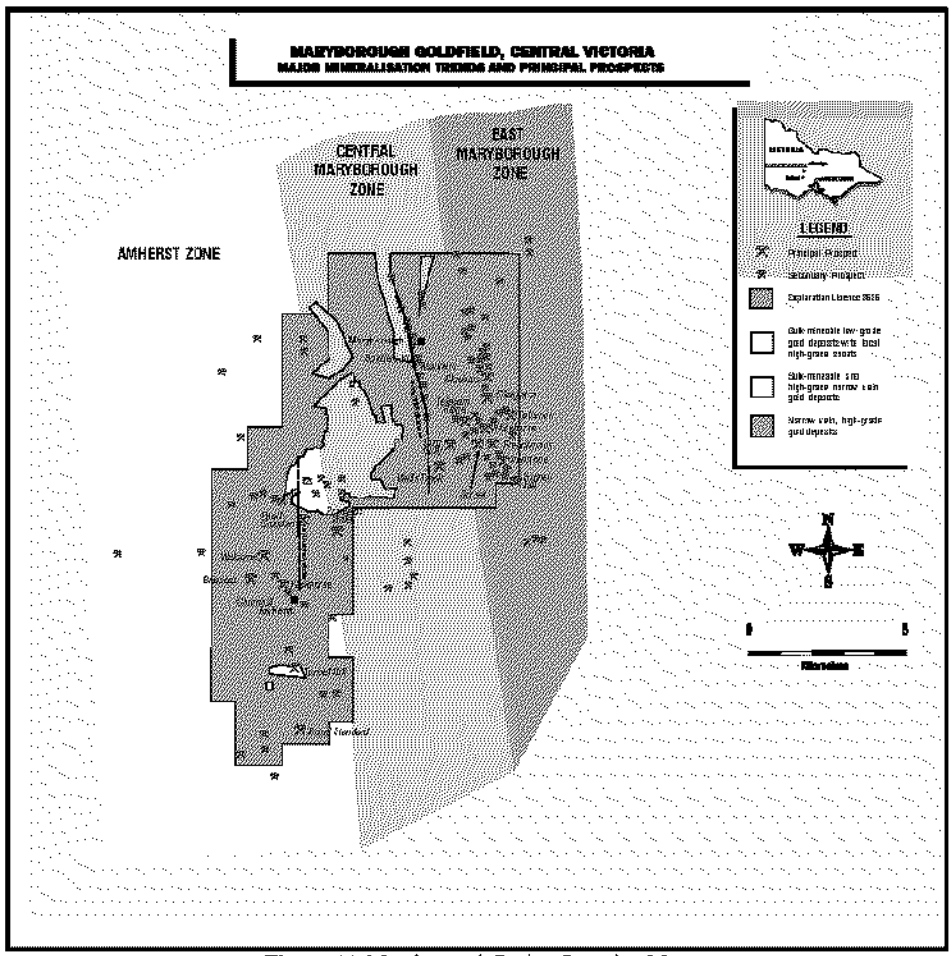

Figure 11. Maryborough Project Location Map

2.3.6 Campbelltown Project

Project Geology

The Campbelltown Project is situated approximately 2.5 km east of the township of Campbelltown, **(Figure 12)** within the small, historic Campbelltown goldfield.

The Campbelltown goldfield is located within north plunging, tightly folded metasedimentary rocks of the Bendigo Zone, to the west (or hangingwall) of the Campbelltown Fault. This structure is a significant regional, steeply west dipping, reverse fault zone with a stratigraphic displacement of at least 800 m (Vandenberg et al 2000). To the west of the fault, are tightly folded metasedimentary rocks typical of the Bendigo Zone with both a higher sandstone content and quartz vein abundance than with comparable metasedimentary rocks to the east of the fault, (Vandenberg et al 2000).

The Campbelltown Fault and the Williamson Creek Fault (located just east of the Ballarat goldfield, refer to **Section 2.1.3**) are thought to be a continuous fault structure that extends over at least 100 km (Vandenberg et al 2000).

The Campbelltown goldfield (and related production) consists of 2 sub-parallel curvilinear corridors, known as the Eastern and Western Reef belts, containing limited historic workings, located within 1 km of the Campbelltown Fault. The corridors are approximately 3 km long and contain extensive quartz veining (BGF,

2000b). The Western Reef belt was the more productive of the 2 belts, although very little appears to be known about the historic workings / mining, based on current data (BGF, 2000b).

Quartz reef structures can be traced to the southern end of the goldfield, defined by younger basalt rock cover and BGF suggests that the metasedimentary sequence below the basalt cover may provide a longer-term exploration target.

Previous Exploration

BGF exploration and evaluation work to date has been limited to a review of past work on the project area and Highlake Resources N.L.'s 1996 resource estimation and potential for upgrading the published resource with targeted drilling. The BGF Campbelltown Project Review report (BGF, 2000b) formed the basis of this independent technical review of the geology.

Since the early 1970's, exploration work has been carried out by WMC, CRA Exploration Ltd (CRA) in joint venture with Endeavour Resources and Highlake Resources N.L. (BGF, 2000b). Exploration work programs have included targeted geophysical surveys (IP and ground magnetics), broad scale soil sampling and assaying, rotary air blast (RAB) and RC drilling, costean sampling, historic records search and review and /or geological mapping.

BGF identify three prospects within the Eastern Reef belt, (**Figure 12**):

1. Oliver Cromwell, an area of sporadic historic workings at the southern end of the project area, about 500 metres to the north of the basalt cover,
2. Bosuns, located approximately 2.2 km north of the Oliver Cromwell prospect and defined by a topographic high with a number of prospecting pits and shafts and defined by a soil anomaly with >0.1 g/t gold, and
3. Sampsons, located approximately 1 km north of Oliver Cromwell, and initially identified by a broad gold soil anomaly and drill testing conducted by CRA.

BGF identify four principal prospect areas within the Western Reef belt, (**Figure 12**):

1. Purtons, defined by the southern most historic workings along the Western Reef belt and topographic high associated with a surface reef exposure that can be traced over 200 m,
2. Harry Lauder, defined by a 130 m long line of workings and one of the better historically documented reef systems in the goldfield (BGF, 2000b),
3. Jones, located approximately 600 m north of Purtons and thought to be an extension of Harry Lauder, and
4. Jackson's/Stockyard, located to the north and west of the Harry Lauder and also, one of the better historically documented reef systems in the goldfield with a total recorded production of 5,222 tonnes at an average grade of 13.9 g/t gold, (BGF, 2000b).

A number of "significant" soil anomalies, (">0.1 g/t" or 0.1 ppm gold), were identified by incomplete soil sampling programs carried out by Highlake Resources at the Purtons, Harry Lauder, Jackson's/Stockyard, Bosuns, Sampsons and Oliver Cromwell prospect areas, (BGF, 2000b).

Exploration drilling work, conducted by CRA and Highlake Resources, has identified a number of generally lower grade gold intersections over variable (2 to 14 m) drilled widths at mainly the Bosuns prospect and also the Jones, Sampsons and Harry Lauder prospect areas.

Gold mineralisation generally appears to show a 'reasonable' correlation with quartz veining (BGF, 2000b) and a BGF analysis of drilling data suggests that quartz veining associated with the gold mineralisation defines 2 parallel steeply west to near vertical dipping reef systems.

Highlake Resources N.L. produced a resource estimate in 1996 for the Bosuns prospect of 812,000 tonnes at 1.46 g/t gold containing 38,100 ounces of gold, using a sectional methodology. A separate geological data analysis and resource calculation by BGF in 2000 suggests the Bosun's prospect is centred on the eastern limb of an anticline, there is a possible association with carbonaceous beds and gold mineralisation in the main zone of prospect is along steeply west dipping west dipping quartz vein packages. The BGF 2000 unpublished resource review, also using a sectional methodology, indicated a smaller resource of 430,163 tonnes at 1.53 g/t

gold and 21,098 contained ounces. The BGF resource estimate applied a number of different criteria from the earlier estimate, including utilising both the Highlake Resources and CRA drilling data and applying a slightly higher cut-off grade and a more conservative projection of the intersections between sections.

Exploration Potential

The majority (or 85%) of the BGF resource estimate for the Bosun's prospect occurs in the southern 180 m of the prospect area and BGF suggest their modelling of the ore zones indicates reasonable continuity exists between sections of the 'reef' structures in this area. The area to the south, to the Sampsons prospect a distance of 600 m, has yet to be drilled (BGF, 2000b).

To date, drill-based exploration has largely focused on the Eastern Reef belt, around the Bosun's prospect, although, historic production records available to BGF suggest the Western reef belt was the more productive area of the field.

SRK considers the Campbelltown Project area to be under-explored, apart from at least one key prospect area, and requiring a systematic exploration strategy which includes synthesising all available recent exploration and public domain geological and geophysical data and the development of a geological model for mineralisation. Exploration results to date, suggest that overall mineralisation is of a lower grade and therefore, there appears to be a lower potential for defining a significant potentially mineable zone of gold mineralisation around the historic goldfield area. However, SRK considers the broader tenement area remains quite prospective for defining a significant mineralised zone, given its proximity to the regionally significant Campbelltown / Williamson's Creek fault trend.

2.3.7 Summary

BGF review studies included a resource estimate for Harvest Home (Dunolly), Pearl-Croydon (Maryborough) and Bosun's Prospect (Campbelltown). SRK have not independently checked any of the resource estimates as BGF does not intend allocating a significant proportion of their current capital raising on these projects. We suggest that the term "Resource Potential" be used as the resource estimates are largely based on RC drilling, there typically is no critical assessment of the "nugget effect", and the knowledge and confidence limits on the geology controls on mineralisation are not high. In our opinion, RC drilling is generally considered inappropriate for the style of mineralisation historically mined at these properties because of the need to correlate structures, as well as gold (including the potential for "nugget effect") and stratigraphy (e.g. "favourable zones") and / or map alteration.

In our opinion, the intersection of gold-bearing quartz reefs or systems, at one or more prospects drill tested at the three projects, indicates the broader potential of the project areas and the potential for one or more significant zones of mineralisation, although not necessarily as a viable as stand alone resource. Furthermore, on the basis of information reviewed in the BGF reports, it is likely that any such resource will be at a lower tonnage and higher grade, once systematic evaluation of the controls on high grade gold distribution at the projects is undertaken. This evaluation work will need to include supplementary diamond core drilling, costeaning and sampling.

2.3.8 Exploration Strategy and Budget

The proposed exploration strategy for the Dunolly, Maryborough and Campbelltown projects is based around identifying drill targets for future exploration. Specifically, this strategy includes:

- A review of historical mining data,
- Completion of detailed surface mapping and a trench sampling program, and
- Compilation of this historical data and sample data into 3 dimensional geological software.

SRK considers the proposed exploration strategy for the Maryborough, Campbelltown and Dunolly areas is consistent with a priority of assessing controls on the likely location, shape and distribution of high grade gold

lodes within mineralised envelopes identified by previous drilling for future drill target exploration and / or resource evaluation work.

There may be a requirement by BGF to reduce the size of some of these project areas in order to reduce future exploration commitments, as outlined in Section 9.1 of the Prospectus, and the proposed exploration program allows BGF the opportunity to do further assessment work in regards to this potential requirement.

A proposed budgeted expenditure of approximately $90,000 over a 6 month period is consistent with the proposed work program and the current potential of these projects.

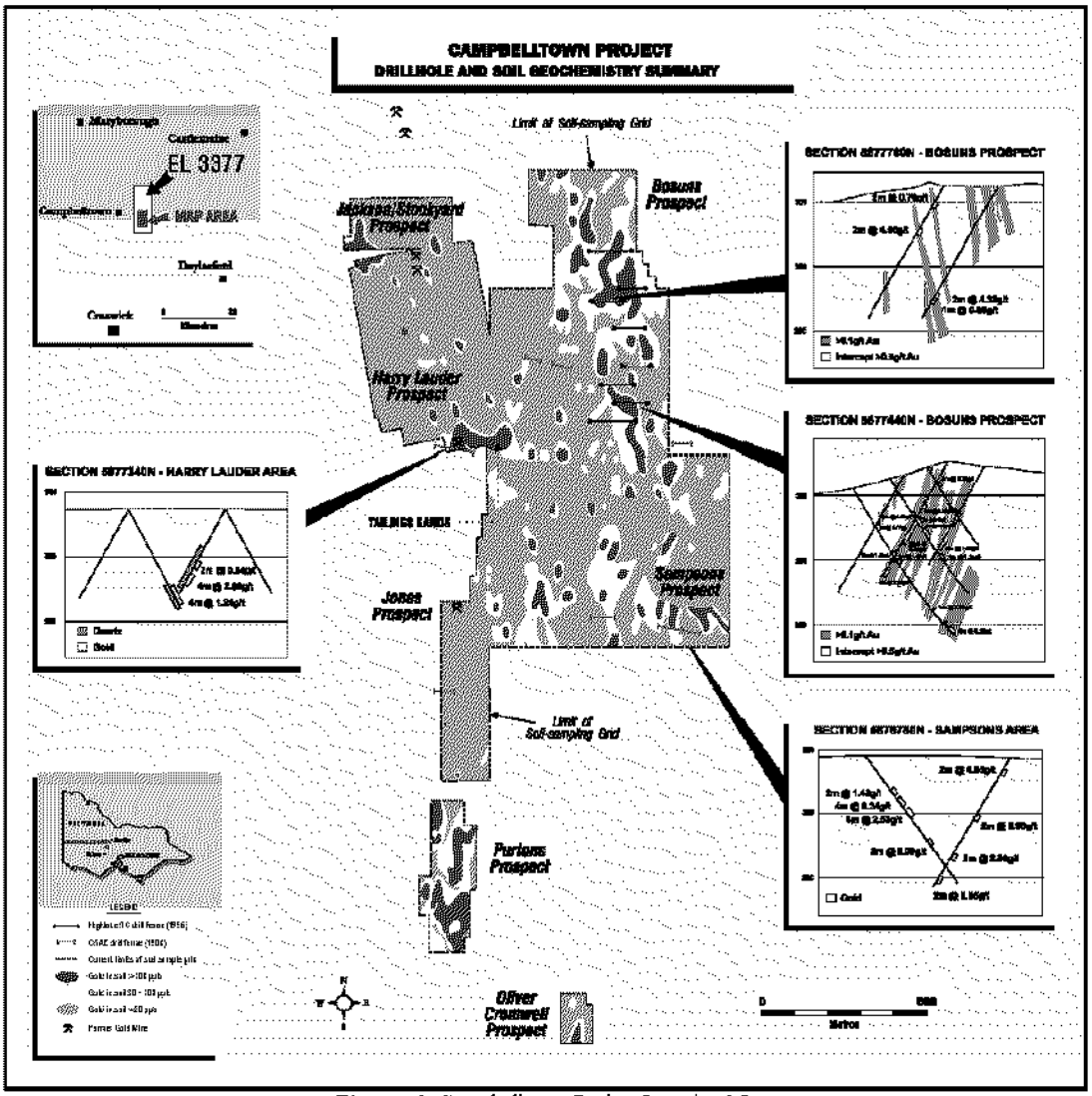

Figure 12. Campbelltown Project Location Map

Table 3. Ballarat Goldfields Exploration Summary

Project	Exploration Proposed	Expenditure to Dec 2003	Expected Results
Ballarat East	♦ Further geological modelling work ♦ Limited underground drilling and channel sampling	~ A$480,000	♦ Further evaluate/test current geological model ♦ Assess the reliability of gold grade estimates ♦ Confirm planned decline extension and exploration programs ♦ Identify deep drilling targets
Ballarat West	♦ Collection and reinterpretation of historic data in 3D software ♦ Develop an early geological model ♦ Test this model by drilling one exploration drill hole	~ A$260,000	♦ Establish a geological model for further resource definition ♦ Identify priority drill targets for exploration ♦ Initial testing and assessment of 'early' model/target area
Berringa	♦ Review historic mining data ♦ Complete detailed surface mapping and trench sampling ♦ Compile historic and sample data	~ A$70,000	♦ Identify drill targets for future exploration
Dunolly, Maryborough, and Campbelltown	♦ Review historic mining data ♦ Complete detailed surface mapping and trench sampling ♦ Incorporate all historic and sampling data into 3D modelling program	~ A$90,000	♦ Identify drill targets for future exploration

3 Principal Sources of Information

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4 Attachments

4.1 Statement of Consultants Qualifications and Experience

Dr Mike Etheridge, BSc(Hons) (University of Sydney), PhD (Australian National University), FTSE, FAIG, FAICD.

Dr Mike Etheridge, as the professional responsible for this Report, is a geologist with over 30 years experience, including the past 13 years as a consultant in the exploration, evaluation and risk management of mineral properties. He is one of Australia's leading structural geologists, specialising in the structural controls on the localisation of mineralisation across a spectrum of geological environments. He has worked extensively in Australia, SE Asia, South America, and Africa. Mike is the Chairman of SRK Consulting (Australasia).

Mr Chris Woodfull, BSc. (University of Melbourne), MSc. (University of Melbourne), MAIG, MGSA.

Chris Woodfull is a geologist with over 15 years experience in the mining and environmental consulting industries. Chris has worked as a mine, exploration and structural geologist, on a range gold projects mainly in Australia and East Africa. He has worked in a wide range of gold-rich geological environments including the Archaean terranes of Western Australia and Tanzania and slate-belt terranes of central and Eastern Victoria on ore deposit development, project generation, exploration and due diligence reviews. Other expertise includes project management and environmental audits and assessments.

Mr Phillip Uttley, BSc Hons (Geol) (University of Queensland), Fellow AusIMM, Geologist.

Phillip Uttley is an economic geologist and former exploration manager with over 28 years experience in gold and base metals exploration throughout Australia, SE Asia, PNG and other countries. He has generated and managed exploration programs for a number of commodities in a wide range of geological environments including project generation, country assessment, discovery, evaluation and successful development of ore deposits. Other expertise includes all levels of project development, from project generation to resource estimation, project audit, independent assessment, due diligence and valuation reports, reviews of company exploration divisions, and management of exploration risk.

Dr Stuart Munroe, PhD (Geol), Member AIG, Member AusIMM, Member SEG, Consultant, Geologist

Dr. Stuart Munroe is a consultant geologist with extensive experience in evaluating structural controls on gold deposits in a range of geological environments, mainly in the SW Pacific, Australia and Canada. Stuart completed his PhD on the structural setting and controls on Zone VII at the Porgera gold mine, PNG, and has since been involved in structural geology consulting projects with SRK in a range of commodities including gold, base metals, iron ore and diamonds. Other expertise includes project generation and exploration, independent technical / due diligence geological reviews and the structural risk assessment for coal mining.

4.2 Glossary of Terms

Alluvial	A placer formed by the action of running water, also said of the associated valuable minerals (gold).
Anticline	A fold, generally convex upward, whose core contains the stratigraphically older rocks.
Basalt	A fine-grained volcanic rock composed primarily of silica and iron oxide rich layers.
Bedding plane	A planar or nearly planar bedding surface that visibly seperates each successive layer of stratified rock from the preceding layer.
Brittle Deformation	Fracturing resulting from deformation or strain.
Carbonate	A sediment formed from calcium, magnesium or iron carbonate minerals.
Chevron Folds	A kink fold, the limbs of which are of equal length.
Contact Metamorphism	Metamorphism relating to the local application of heat from an intrusive or extrusive source.
Crosscourse Faults	A late stage or post mineralisation fault that offsets the constituent strata, regional structure and mineralised lodes.
Curvilinear	Pertaining to a surface or form derived from the curving of a plane about one or more axes.
Cut-Off Grade	The lowest grade of mineralised material that qualifies as ore in a given deposit.
Deep Leads	A lead or alluvial placer deposit that is buried under soil or rock.
Delineation	A step in map compilation in which mapworthy features are distinguished and outlined on various possible source materials or are visually selected.
Dilatent Structural Traps	traps formed by the increase in bulk volume during during deformation.
Dip	The angle that a structural surface, eg. a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure and the vertical plane.
DNRE	The Department of Natural Resources and Environment, Victoria, Australia.
Drilling	The act or process of making a circular hole with a drill or other cutting tool for the purpose of blasting, exploration, prospecting, valuation or obtaining oil, gas or water.
EL	Exploration Licence.
Exploration	The search for deposits of useful minerals or fossil fuels.
Exploration Licence	An exploration licence granted under the granted under the Mineral Resources Development Act 1990. Is designed to cover the exploration phase of a project and confers exclusive rights to the exploration for and recovery of samples from the area designated. These rights are granted by relevant Commonwealth, State or Territory Governments.
"Favourable Zone"	sub-vertical to steeply dipping lithological units (mostly slate beds with associated bedding-parallel fault zones) and structures (such as the hinge zone of anticlines).
Flat	A vein that fills the gap resulting from a tension fracture.
Fold	A bend in the rock strata or planer surface.
Fold Closure	The vertical distance between the structure's highest point and lowest closed structure contour.
Geology	The science that relates to the study of the structure, origin, history, and development of the Earth as revealed in rocks
Geophysics	Study of the Earth by quantitive physical methods, eg. gravity, magnetics, etc.
Grade	The concentration of a precious metal in the rock, typically denoted as a standard mass measurement, grams per tonne (equivalent to ppm).
Granite	A plutonic rock containing between 20 and 50% quartz.
Hinge	The locus of maximum curvature or bending in a folded surface.
Host	A rock or mineral that is older than rocks or minerals introduced into it or formed within or adjacent to it.
Independent Technical Review	Review performed by Independent Technical Experts.
Indicated Resource	Part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Indicator horizon	A steeply to subvertical dipping lithological and/or structural horizon that historically indicated the potential presence of a mineralised lode or vein structure, e.g, Indicator Slate, Western Indicator.
Inferred Resource	Part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is

	based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
IP	Induced Polarisation.
Joint Venture	A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise
JORC code	Australasian code for reporting of mineral resources and ore reserves.
Lamination	The finest bedding or stratification plane.
Leatherjacket	Dilational sites with quartz-rich mineral filling on west dipping faults.
Lode	A mineral deposit consisting of a zone of veins, veinlets, disseminations, or planar breccias; a mineral deposit in consolidated rock as opposed to placer deposits.
MAL	Mining Area Licence.
Massive	Said of a mineral deposit the is characterised by a great concentration of ore in one place, as opposed to a disseminated or veinlike deposit.
Main Reef	A "favourable zone", located below the historic mining levels on the Ballarat East field.
Measured Resource	Part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity.
Metasedimentary	A sedimentary rock that shows evidence of having been subject to metamorphism.
MIN	Mining Licence.
Mineral Resource	Defined in the 1999 JORC Code as "a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence or knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories".
Mining	The process of extracting metallic or nonmetallic mineral deposits from the Earth.
Mining Lease	A mining licence granted under the Mineral Resources Development (Amendment) Act 2000 (Vic)
Mining Area Licence	A mining licence granted under the Mineral Resources Development (Amendment) Act 2000 (Vic)
Mining Licence	A mining licence granted under the Mineral Resources Development (Amendment) Act 2000 (Vic)
ML	Mining Lease.
Native Title	A claim for Native Title under the Native Title Act 1993 (Commonwealth).
"Nugget Effect"	An irregular distribution of coarse grained gold.
Ore Reserve	Defined in the 1999 JORC Code as "the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of a modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves".
Oxide	A mineral compound characterised by the linkage of oxygen with one or more metallic elements.
Payable gold	A historic term used to define a profitable gold reef or lode structure.
Potential Contained Resource	An informal resource category used to describe a resource calculation that estimates the quantity and grade of a precious metal in a mineralised deposit or zone, without assigning or designating a more formal (JORC) Resource category.
Prospect	An area that is a potential site of mineral deposits, based on preliminary exploration.
Quartz	A mineral with chemical symbol SiO_2.
RC Drilling	Reverse circulation drilling method, using compressed air.
Reef	A provincial term for a metalliferous mineral deposit, especially gold-bearing quartz.
Resource	In Situ mineral occurrence from which valuable or useful minerals may be recovered.
Resource Potential	An informal term used to describe the conceptual nature and likely size of nuggety precious metal mineralisation in a body of rock or project area, which can be supported empirical data such as historic geological and mining data, but lacks the geological controls needed to justify an Inferred Resource status, as defined by JORC.
Reverse Fault	A fault that dips towards the block that has been relatively raised.
Saddle Reef	A mineral deposit associated with the crest of an anticlinal fold and following bedding planes, usually found in vertical succession.

Sandstone	A rock consisting of cemented grains of rock or mineral that are 0.05 to 2 mm in diameter.
Sericite	A white, fine-grained potassium mica occurring in small scales and flakes as an alteration product of various aluminosilicate minerals.
Shale	A rock consisting of cemented grains of rock or mineral that are less than 0.05 mm in diameter.
Siltstone	Rock of same texture and composition as shale, but lacking its fine lamination or fissility.
Slate	A low-grade regional metamorphic rock characterised by a perfect fissility or slatey cleavage. A metamorphosed shale/siltstone.
Spur	A vein that fills the gap resulting from a tension fracture.
Stockwork	A mineral deposit consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.
Stope	An underground excavation formed by the extraction of ore.
Sub-Parallel	Roughly parallel to the surrounding bedding.
Tenements	Resource industry term for an identified piece of land temporarily possessed by an owner, who gains rights to explore for potential valuable minerals and/or to carry out mining operations within it.
Tension Vein	A vein that fills the gap resulting from a tension fracture.
Tonnage	The total weight of ore in a deposit.
Top-Cut	An upper limit grade value that may be applied to raw assay data when calculating ore reserves.
Vein	A mineral filling of a fault or other fracture in a host rock, in tabular or sheet like form, generally composed of quartz and/or carbonate.
Verticals	Steeply dipping, bedding parallel to sub-parallel veins.

9 Risk Factors

Due to the inherently uncertain nature of gold exploration, an investment made under this Prospectus should be considered speculative. Investors should realise that the value of their investment may fluctuate considerably due to many influences. Whilst the Company will attempt to minimise the following risk factors, the majority of them are beyond its control.

No assurances can be given that any of the risk factors will not adversely impact the Company.

This list of risk factors should not be considered exhaustive. Applicants subscribing for shares should consult their stockbroker, solicitor, accountant or financial or other professional adviser before deciding whether to accept the Offers pursuant to this Prospectus.

9.1 Tenure of Mineral Tenements

The Company has been unable to maintain an active level of exploration activity or to make payment of all tenement licence fees required in recent years, due to the cash constraints it has endured. Accordingly, the Victorian Department of Natural Resources and Environment has advised that the Company's tenements are not in good standing and has recently issued "show cause" notices to the Company inviting the Company to provide reasons why renewal of its tenements should not be refused. The Company, the Proposed New Directors and the Underwriter have made several representations to DNRE that the matters that concern DNRE can and shall be rectified upon completion of the Issues.

In particular, the Company committed to making payment on completion of the Issues of all outstanding amounts for tenement licence fees, amounting to approximately $98,000. This amount is included in the liabilities to be settled from the proceeds of the Issues (refer section 6.1). The Company has also committed to replacing the present $168,000 bank guarantee issued in favour of DNRE with a bank guarantee that does not have an expiry date.

Further, the Company has formally responded to the "show cause" notices and has received an indication from DNRE that the Company's efforts to rectify the matters will be sufficient to avoid further action by DNRE.

The total annual expenditure requirement on all the Company's tenement areas is currently $2.16 million. Of this, $0.68 million is required to be spent on the Maryborough, Campbelltown and Dunolly tenement areas. These areas currently represent the least prospective tenements. The cumulative amount under-expended on all tenement areas totaled $5.20m at December 2001, with more than half this amount attributable to the Maryborough, Campbelltown and Dunolly tenements. Funds available from the Issues for geological work, maintenance and corporate costs total approximately $2.7 million.

The discussions held with DNRE also detailed the Proposed New Director's planned expenditure on the geological program described in section 5 and on mine maintenance totaling an estimated $1.4 million. The Company has indicated that it intends to review all the exploration and mining tenements that it currently holds during the six-month period following the close of the Issues. Once the review is complete, cumulative amounts under-expended on tenements to date as well as annual tenement expenditure requirements will be discussed and addressed with DNRE in light of the Company's newly established priorities. It is possible that this review may lead to the Company deciding to relinquish certain tenements representing the least prospective areas that have a high annual expenditure requirement.

After successful completion of the Issues, the Company believes it will be able to re-establish its previous good standing with DNRE in respect of all tenement areas. The Company anticipates being able to agree a revised geological program with DNRE that will allow it to retain all current tenements intact. However, until the outstanding tenement licence fees have been paid and the new exploration expenditure program has been agreed, the Company can give no assurances that all the present exploration and mining tenement licences will be retained.

9.2 Commercial Risks

While the Company believes it will have sufficient funds following completion of the Issues to fund operations until 31 December 2003, including completion of the geological program set out in section 5 of this Prospectus, there can be no assurance that the Company will not need to seek additional capital during that time.

9.3 Gold Price

Gold prices have a substantial impact on gold exploration and development projects, and consequently will impact the price of the Company's Shares in the market. The price of gold is subject to substantial variation depending on the economic climate, forces of supply and demand and other factors beyond the control of the Company.

Movements in foreign currency exchange rates may also impact the future value of the Company's Shares and prices at which they may trade in the market.

9.4 Risks Relevant to Australian Gold Miners and Explorers

Gold exploration activity by its nature contains significant risks. Exploration may be unsuccessful. Exploration may prove to be more costly than expected or the proposed timing of exploration may not be achieved. The calculation of the possible recoverable amount of gold may be proved incorrect by future exploration/production, mapping and/or drilling. Where exploration is successful, drilling and mining operations can be affected by adverse weather conditions, site and geographical conditions, industrial disputes, government regulations, environmental issues and increases in establishment costs.

9.5 Forecasting Risks

Production costs, capital expenditure requirements and any other estimates used by the Company are based on assumptions that are inherently uncertain.

9.6 Resource Potential

While the resource figures stated in this Prospectus represent, in the view of the Company's Current Directors, a soundly based and technically supported exploration target, they are not an Ore Reserve estimate. Shareholders should not assume, as a matter of certainty, that Ore Reserves will be defined as a result of future exploration investment.

9.7 Profitability

No representation as to future profitability or dividends can be given by the Company since these elements are dependent on the future earnings and working capital requirements of the Company. Any expansion or future development of the Company will depend on the outcome of future exploration and the ability of management to manage and implement the Company's gold project strategy and raise the capital required for further exploration beyond the initial program and ultimately for project development.

9.8 Changes to Government Regulations

Changes in Australian Government legislation and regulations may impact on the ability to advance Ballarat Goldfields' exploration and development projects. As at the date of this Prospectus the Directors are not aware of any such changes.

9.9 Share Market Risks

There are a multitude of general risks associated with any investment in Companies listed on any stock exchange. The traded prices of ordinary shares may rise or fall dependent on a range of factors beyond the control of the Directors of the Company.

9.10 Native Title Issues

Tenements held by the Company may potentially in the future be the subject of native title claims. As at the date of this Prospectus the Directors are not aware of any native title claim likely to impact on the development of any of the tenements held by the Company.

9.11 Disposal of Oztrak

While the Company is examining disposal options for Oztrak, the Directors of the Company can at this stage give no guarantee as to the likely mechanism for disposal, what sale proceeds may be realised, or the likely timing of such an event. In the current difficult climate for technology companies, the Company may realise a loss on the disposal of its investment.

9.12 Creditors

The Company has been forced to operate with restricted funding in recent times. The Company has significant creditors that are due for payment. The issue of this Prospectus should provide creditors with some assurance that progress is being made towards recapitalising the Company. No guarantee can be given that individual creditors will not institute proceedings to recover outstanding amounts prior to funds being available from the Issues. The Directors are not aware that any such action has been taken and given the relatively short time period to the closure of the Issues, no adverse impact is expected.

9.13 Future Capital Raising

The Company owns gold tenements and is focussed on the exploration of those properties. In order to be able to proceed to production, the Company will need to raise additional capital in the future. The gold price and market conditions prevailing at the time, in particular, will impact the Company's ability to successfully raise capital when required.

10 Additional Information

10.1 Disclosing Entity

Ballarat Goldfields is subject to regular reporting and disclosure obligations. ASX announcements made since the 4 June 2002 shareholder meetings are as follows:

Date	Description of announcement
05 June 2002	Progress of general meeting
05 June 2002	Results of general meeting & corporate report
06 June 2002	Correction to statement dated 5/6/2002
14 June 2002	Financing agreement
24 June 2002	Becoming a substantial holder
24 June 2002	Appendix 3B – for working capital
24 June 2002	Appendix 3B – Conversion of unlisted options
25 June 2002	Court verdict received
27 June 2002	December 2001 half year report and corporate update
27 June 2002	Appendix 3B – working capital
12 July 2002	Recovery of German debts and cancellation of partly paid shares
31 July 2002	Recovery of German debt unlikely
5 August 2002	BGF to divest Oztrak
9 August 2002	Notice of meeting
12 August 2002	Four quarterly reports to June 2002
12 August 2002	Letter enclosing notice of meeting

10.2 Rights attaching to shares

The New Shares issued under this Prospectus will rank equally in all respects to those Shares within the existing Company structure.

A shareholding in Ballarat Goldfields is held subject to the Company's constitution that is similar to those of other publicly listed no-liability companies and states that the ASX Listing Rules prevail in the event of any inconsistency. In particular, shareholders are entitled to receive notices of and attend and vote at general meetings where they have one vote on a show of hands and one vote per ordinary share on a poll. Subject to the constitution, the Corporations Act and the ASX Listing Rules, Shares are freely transferable. Dividends are payable to shareholders in proportion to the shares held by them respectively. In the event Ballarat Goldfields is wound up, the liquidator may, with the sanction of a special resolution of Shareholders, divide the assets of Ballarat Goldfields amongst the Shareholders and may determine how the division shall be carried out as between them.

The rights and obligations attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office.

10.3 Litigation

Through its subsidiary, Oztrak, Ballarat Goldfields is the plaintiff in two significant debt recovery actions through German courts. Details of the status of these actions are provided in section 6.3 of this Prospectus.

At the date of this Prospectus, Ballarat Goldfields and its subsidiaries are not involved in any other litigation. The Directors are not aware of any legal proceedings pending or threatened against the Company or its subsidiaries.

10.4 Mr Woskett's Contract

Mr Woskett has a contract of employment with the Company under which he is entitled to receive a termination payment of up to twice his total annual salary package (including all allowances and performance bonuses).

Mr Woskett's total salary package is $316,425 per annum including a performance based bonus component of $100,000, equating to a termination payment of up to $632,850.

In order to facilitate the capital raising, Mr Woskett and Ballarat Goldfields have agreed to the following termination settlement in lieu of the amount specified in his employment contract.

a) $100,000 in cash; and

b) the issue of 5,000,000 fully paid ordinary Shares at a deemed issue price of 2.3 cents per share. Should the issue not be approved by Shareholders at the annual general meeting called for 10 September 2002, Mr Woskett will be paid the cash equivalent amount of $115,000.

Under the terms of his new termination agreement, Mr Woskett has agreed to remain as a non-executive Director of the Oztrak subsidiaries until the Oztrak Business is disposed of. Mr Woskett will assist the Company with the disposal of the Oztrak Business on a consulting basis. Mr Woskett's remuneration for these consulting services will be:

a) $50,000 cash payable on the earlier of the sale or winding up of the Oztrak subsidiaries or 30 September 2003; plus

b) $150,000 if the Company's net funds advanced to the Oztrak subsidiaries subsequent to 30 June 2002 but prior to 30 June 2003 (including any costs incurred directly by Ballarat Goldfields in the disposal) are less than $877,000.

10.5 Underwriting Agreement (Rights Issue only)

The Company entered into an Underwriting Agreement with RFC Corporate Finance Ltd on 20 August 2002 whereby RFC agreed to underwrite the Rights Issue, provided that the Public Issue reaches the Minimum Subscription.

RFC will receive an underwriting fee of $143,896, being 5% of the gross proceeds of the Rights Issue. The Company has agreed to indemnify RFC and each of its officers, employees and advisers against liabilities relating to the issue of this Prospectus.

RFC may terminate its obligations under the Underwriting Agreement if any of the following occurs prior to the allotment of the New Shares:

1. ASX Indices fall
The S&P/ASX 200 Index closes below 2,800 points. On 14 August 2002 this Index value was 3,096.

5. Default
The Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under this agreement and that default or breach is either incapable of remedy or is not remedied within 5 Business Days after it occurs.

6. Failure to comply
The Company or any Related Body Corporate fails to comply with any of the following:

- a clause of its constitution;
- a statute;
- any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency; or
- any agreement entered into by it.

7. Capital structure
[redacted]

reduces the level or likely level of valid applications:

- the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
- the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
- the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy.

3. Breach of significant contracts
A significant or material contract referred to in the Prospectus is, without the prior consent of the Underwriter:

- breached by the Company or a Related Body Corporate;
- terminated (whether by breach or otherwise);
- altered or amended in any way; or
- found to be void or voidable.

4. Listing
The ASX makes any official statement to any person, or indicates to the Company or the Underwriter that an ASX approval will not be given;

or

an ASX approval has not been given before the

8. Constitution altered
The constitution or any other constituent document of the Company or a Related Body Corporate is amended, or the Company announces its intention to amend such documents, without the prior written consent of the Underwriter, which consent must not be unreasonably withheld.

9. Financial assistance
The Company or a Related Body Corporate seeks the approval of Shareholders under section 260B of the Corporations Act 2001, without the prior written consent of the Underwriter.

10. Business
With the exception of the Oztrak Business, the Company or a Related Body Corporate:
disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or ceases or threatens to cease to carry on business, in either case without the prior written consent of the Underwriter.

11. Hostilities
There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following: Australia, the United Kingdom, the United States of America, the Peoples Republic of China, any of the republics formerly comprising the Union of Soviet Socialist Republics, Japan, Israel, Indonesia, Iraq or any member country of the Organisation of Petroleum Exporting Countries.

12. Financial position
A materially adverse change, or development involving a prospective materially adverse change, occurs in the financial or trading position of the Company or a Related Body Corporate.

13. Prospectus
Without limiting any other termination right, if:

- there is a material omission from the Prospectus;
- the Prospectus contains a misleading or deceptive statement;
- a forecast (if any) in the Prospectus becomes incapable of being met or unlikely to be met in the projected time;
- a statement in the Prospectus becomes misleading or deceptive;
- the Prospectus does not comply with section 710(1) of the Corporations Act 2001; or
- a matter referred to in section 719 of the Corporations Act 2001 occurs in respect of the Prospectus.

14. Corporations Act 2001
Without limiting any other termination right if:

- ASIC applies for an order under section 1324B of the Corporations Act 2001 in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
- a person gives a notice under section 730 of the Corporations Act 2001 in relation to the Prospectus;
- ASIC gives notice of its intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act 2001 or makes an interim order under section 739(3) of the Corporations Act 2001; or
- any person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent.

15. Supplementary prospectus
The Underwriter reasonably forms the view that a supplementary or a replacement document must be lodged with ASIC under section 719 of the Corporations Act 2001 and the Company does not lodge a supplementary or a replacement document in the form, with the content and within the time reasonably required by the Underwriter.

16. Indictable offence
A Director (or, if he is not a Director, the chief executive officer) of the Company or a Related Body Corporate is charged with an indictable offence relating to a financial or corporate matter.

17. Insolvency event – Related Body Corporate
An Insolvency Event occurs with respect to a Related Body Corporate of the Company.

18. Insolvency event - Company
An insolvency event occurs with respect to the Company.

19. Charge
The Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property.

20. Listing Rules
The Company commits a material breach of the Listing Rules.

21. Takeover offer or asset acquisition
The Company makes, or announces its intention to make, a takeover offer for any company, or enters into arrangements to acquire an asset offering shares in the Company as consideration (except as otherwise agreed by the Underwriter).

22. ANZ Bank Limited
The Company's debt financier, ANZ Bank Limited cancels and demands repayment of its existing overdraft and other facilities to the Company or does not agree to extend those facilities by 30 September 2002.

23. Gold price
The spot gold price (basis London p.m. fix) falls below US$290 per troy ounce for any three consecutive business days. On 14 August 2002 the gold price was US$315 per ounce.

If an event set out in section 10.5, paragraph 6 to 17, occurs the Underwriter can only exercise its termination right if it determines reasonably and in good faith that the event:

(a) has or would have a material adverse effect on the Rights Issue; or

(b) could create a potential liability for the Underwriter under the *Corporations Act.*

A copy of the Underwriting Agreement is available for inspection at the Company's registered office.

10.6 Potential Control by the Underwriter

By underwriting the Issue, RFC has agreed to subscribe for or procure subscriptions for any Shortfall under the Rights Issue.

The Corporations Act allows, as an exception, persons to acquire a 'relevant interest' in the issued voting shares of a company where the persons voting power increases from below or at, to more than 20%, or from a starting point of more than 20% if that acquisition results from an issue of securities under a disclosure document where the issue is to a person who is an underwriter to the issue, and the disclosure document discloses the effect that the acquisition would have on the persons' voting power in the Company.

In accordance with these exceptions provided for in the Corporations Act, the Underwriter will be allowed to increase their voting power in the company.

Should no Eligible Shareholders take up their entitlements, the Underwriter could theoretically be allotted 125,127,220 New Shares as a result of the Rights Issue, which will represent an estimated 31% of the new capital structure. This example illustrates an extreme event only, and the actual extent to which their interests are increased will depend on the Shortfall amount resulting from Eligible Shareholders not taking up their entitlements and the extent to which the Underwriter enters into sub-underwriting agreements with Sub-Underwriters. It is not intended that RFC or any other party will obtain a controlling interest in the Company as a consequence of the arrangement and underwriting of the Issue.

A wholly owned subsidiary of RFC, Alchemy Securities Pty Ltd currently holds 7,820,950 Shares in Ballarat Goldfields, or 6.25% of the Company's capital currently on issue.

10.7 Interests of Current and Proposed New Directors

Other than as set out below, no Current Director or Proposed New Director of the Company, nor any company in which a Current or Proposed New Director is a partner has or has had within the 2 years prior to the lodgment of this Prospectus with ASIC, had any interest in:

- the offer of New Shares;
- any interest in the promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its promotion.

Except as disclosed by this Prospectus, no amounts have been paid or agreed to be paid (in cash, shares or otherwise) and no benefit has been given or agreed to be given, to any Director or Proposed New Director either to induce him to become, or to qualify him as, a Director of the Company or for services rendered by him in connection with the promotion of the Company or the Offers of the New Shares.

10.8 Sub-Underwriting Agreements by Proposed New Directors

Each of the Proposed New Directors has entered into an agreement with the Underwriter to sub-underwrite a portion of the Rights Issue. The value each Proposed New Director has agreed to sub-underwrite and the maximum shares allocable in terms of this agreement, should Eligible Shareholders not take up their entitlements, is set out below:

Name	Amount Sub-Underwritten	Maximum Shares Allocable
R. Laufmann	$100,000	4,347,826
C. Smith	$25,000	1,086,957
N. Mather and/or related parties	$600,000	26,086,957

The actual number of Shares that will be issued to Sub-Underwriters will depend on the Shortfall amount resulting from Eligible Shareholders not taking up their entitlements. The New Proposed Directors will be paid a sub-underwriting fee, by the Underwriter, of 5% of the value of Shares issued to them as a result of the Shortfall.

The amount disclosed as the maximum Shares allocable to Mr N. Mather and/or related parties could reduce if, by agreement with the Underwriter, parties not related to Mr N. Mather assume responsibility for a portion of the sub-underwritten amount.

10.9 Payments to Current and Proposed New Directors

Amounts paid or accrued to Mr A. Woskett:

- Remuneration for financial year ended 30 June 2002 of $231,623;
- Remuneration for financial year ended 30 June 2001 of $193,309;

- A termination payment equivalent to $215,000 payable partly in cash and partly in Shares has been agreed between Mr A. Woskett and the Company (refer section 10.4).
- Consulting fees to a maximum of $200,000 for the financial year ended 30 June 2003 (refer section 10.4).

Amounts paid or accrued to Mr J. Roberts:
- Directors fees for financial year ended 30 June 2002 of $54,000;
- Director's fees for financial year ended 30 June 2001 of $54,000.
- Pro-rata Directors fees for financial year ended 30 June 2003 based on $50,000 plus superannuation for a full year.

Amounts paid or accrued to Mr K. Penna:
- Directors fees for financial year ended 30 June 2002 of $20,935;
- Consulting fees of $4,095 for the financial year ended 30 June 2002.
- Pro-rata Directors fees for the financial year ended 30 June 2003 based on $25,000 plus superannuation for a full year.

Amounts proposed to be paid to Mr R. Laufmann:
- Annual salary of $200,000 inclusive of superannuation and other benefits;
- It is anticipated that an appropriate share option incentive, linked to increments in the share price, will be put in place subject to shareholders' approval; and
- A sub-underwriting fee of 5%, paid by the Underwriter, of the value of Shares issued as a result of the sub-underwriting agreement entered into as set out in section 10.8.

It is the intention of the Proposed New Directors to procure BGF to enter into a formal employment agreement with Richard Laufmann as soon as practicably possible after their appointment.

Amounts proposed to be paid to Mr C. Smith:
- Annual directors fees of $50,000, inclusive of superannuation; and
- A sub-underwriting fee of 5%, paid by the Underwriter, of the value of Shares issued as a result of the sub-underwriting agreement entered into as set out in section 10.8.

Amounts proposed to be paid to Mr N. Mather:
- Annual directors fees of $25,000, inclusive of superannuation;
- A sub-underwriting fee of 5%, paid by the Underwriter, of the value of Shares issued as a result of the sub-underwriting agreement entered into as set out in section 10.8.

Shareholders have previously approved Directors fees to a maximum of $120,000 per annum.

10.10 Current and Proposed New Directors Interests in Shares and Loans

As at the date of this Prospectus, the Current and Proposed New Directors have an interest in the following securities of Ballarat Goldfields:

Name	Number of Shares
John Roberts	3,022,222
Andrew Woskett	44,315
Kerry Penna	Nil
Colin Smith	Nil
Richard Laufmann	Nil
Nicholas Mather and/or related parties	5,000,000

Each of the Proposed New Directors is likely to be issued with Shares in terms of the sub-underwriting agreements entered into, as set out in section 10.8.

An agreement exists between the trustee of The John Roberts Superannuation Fund, an entity in which a Director Mr. John Roberts is a beneficiary, and the Company. The fund has advanced an unsecured loan of $50,000 to the Company, which until repaid will attract interest on the outstanding monthly balance at a fixed interest rate of 9% per annum. It is proposed that this loan be repaid out of the proceeds of the Issues (refer section 6.1).

10.11 Interests of SRK Consulting

SRK Consulting has prepared the Independent Geologists Report set out in this Prospectus. The Company has agreed to pay fees of $20,000 for this work. This cost is included as part of the costs of the Issues (refer section 10.13).

10.12 Consents and Disclosures

Consent to Inclusion of Report

SRK Consulting has consented in writing to the issue of this Prospectus with the inclusion of its Independent Geological Report and references to it in the form and context in which they appear, and has not withdrawn that consent prior this Prospectus being lodged with ASIC.

With the exception of its Independent Geological Report, SRK Consulting has not authorised the issue of this Prospectus. Accordingly, SRK Consulting makes no representation regarding, and takes no responsibility for any statements or information in or omissions from, any other part of this Prospectus.

Consent to be Named

Each of the Proposed New Directors, being Colin Smith, Richard Laufmann and Nicholas Mather, has consented in writing to be named in this Prospectus as Proposed New Directors of the Company in the form and context in which they have been named and to the issue of this Prospectus, and have not withdrawn that consent prior to this Prospectus being lodged with ASIC.

RFC Corporate Finance Ltd has consented in writing to be named in this Prospectus as Arranger and Underwriter to the Rights Issue and Arranger to the Public Issue, and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.

RFC Corporate Finance Ltd has not authorised the issue of this Prospectus. Accordingly, RFC Corporate Finance Ltd makes no representation regarding, and takes no responsibility for any statements or information in or omissions from, this Prospectus.

Baker & McKenzie has consented in writing to be named in this Prospectus as solicitors for the Company, and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.

Baker & McKenzie has not authorised the issue of this Prospectus. Accordingly, Baker & McKenzie makes no representation regarding, and takes no responsibility for any statements or information in or omissions from, this Prospectus.
Computershare Investor Services Pty Limited has consented in writing to be named in this Prospectus as the share registry for the Company, and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.

Computershare Investor Services Pty Limited has not authorised the issue of this Prospectus. Accordingly, Computershare Investor Services Pty Ltd makes no representation regarding, and takes no responsibility for any statements or information in or omissions from, this Prospectus.

10.13 Expenses of the Issues

The combined estimated expenses of the Issues totals $854,696. The expenses are made up as follows:

Issues Costs	**Amount $**
RFC - Rights Issue 5% underwriting fee	143,896
RFC - Public Issue 2% management fee (Minimum Subscription)	70,000
RFC – Public Issue 3% handling fee (Minimum Subscription)	105,000
Eureka - Technical and legal reports	125,000
Sundry costs including legal fees, geological report, share registry, audit, ASX listing fees, prospectus printing and postage	160,800
Total Cash Costs of Issues	**604,696**
RFC - Issues arrangement costs (Payable by the issue of Shares at the Company's discretion)	250,000
Total Costs of Issues	**854,696**

In terms of the Underwriting Agreement, RFC will be paid an underwriting fee of $143,896, being 5% of the gross proceeds of the Rights Issue.

A fee of 2% of the gross proceeds of the Public Issue is payable to RFC for management of the Public Issue.

RFC will be entitled to receive a 3% handling fee for successful Share applications under the Public Issue. RFC will rebate this handling fee in full to registered brokers who deliver Application Forms for the Public Issue bearing the brokers code and stamp, to the extent those applications are accepted by the Company.

The Company has the right, but not the obligation, to issue Shares in lieu of making payment of the Arranger fees and expenses payable to RFC in its role as Arranger to the Issues at a price of 2.0 cents per Share. RFC's fees and expenses as Arranger are expected to be approximately $250,000. In view of the Company's exploration expenditure requirements, it may be desirable to conserve the cash position and issue Shares in lieu of paying cash. The issue of Shares to RFC in lieu of payment is subject to ratification by Shareholders.

5,000,000 Share Options exercisable at 3.45 cents expiring on 30 September 2006 will be issued to RFC in terms of its Arranger mandate. The purpose of the option issue is to provide RFC with an incentive to maximise the share price for the benefit of all Shareholders as well as providing a potential source of funds for the Company.

The issue of these options is subject to Shareholder approval. These options are not transferable and will expire early if a takeover bid is made for the Company which results in a person obtaining at least a 90% relevant interest in the Company's shares.

Eureka Capital Partners Ltd commissioned various geological and legal reports as part of the independent due diligence it conducted on the Company as the financier to Rexadis Pty Ltd. Rexadis Pty Ltd previously made an unsuccessful offer to purchase the Company's gold assets. The reports contain valuable information that the Company requires to be able to advance its exploration activities. The Company has agreed to purchase this intellectual property from Eureka Capital Partners Ltd at its cost of $125,000. If the Company chose not acquire this information, it would in any event need to carry out this work at a similar cost, but with consequent delays to the project.

10.14 Overseas Shareholders

Offers of Rights Issue entitlements under this Prospectus will not be made to shareholders with registered addresses outside Australia and New Zealand as the Directors consider that it is unreasonable to do so having regard to the small number of Shareholders, the number and value of entitlements which would be offered to them and the cost of complying with the overseas legal and regulatory requirements. Ballarat Goldfields will send any such Shareholders details of the Rights Issue and advise that this offer will not be made to them.

11 Directors Statement

The Current Directors of Ballarat Goldfields report that, after due enquiry by them in relation to the interval between 30 June 2002 and the date this Prospectus is signed, they have not become aware of:

- any circumstances which in their opinion has or will materially affect:

  a) the trading or profitability of Ballarat Goldfields, other than as disclosed in this Prospectus; or

  b) the value of the assets of Ballarat Goldfields, other than as disclosed in this Prospectus.

- any material contingent liability of Ballarat Goldfields other than as disclosed in this Prospectus.

Each of the Current Directors of Ballarat Goldfields has given and has not withdrawn his written consent to the issue of this Prospectus in the form and context in which it is issued.

This Prospectus has been signed on behalf of the current Board of Directors of Ballarat Goldfields by the current Managing Director, Mr Andrew Woskett.

_____

Andrew Woskett

12 Glossary

Application Form(s) – The application form included in this Prospectus which is to be used to subscribe for shares under the Public Issue

Arranger – RFC's role as arranger of the Issues

ASIC – The Australian Securities and Investments Commission

ASX – Australian Stock Exchange Limited

Board, Board of Directors – Board of Directors of Ballarat Goldfields NL

Business Day – Any day on which securities can be traded on the ASX

Closing Date – 23 September 2002 in respect of the Rights Issue and 25 September 2002 in respect of the Public Issue, unless varied

Corporations Act – Corporations Act 2001

Current Director(s), Director(s) – Directors of Ballarat Goldfields at the date of this report, namely: John Roberts, Kerry Penna and Andrew Woskett

DEM – German currency denomination, Deutschemark

Dollars, $ – Australian dollars unless otherwise indicated

DNRE – The Department of Natural Resources and Environment

Eligible Shareholder(s) – Holders of ordinary shares in Ballarat Goldfields on the Record Date, with registered addresses in Australia who are entitled

Entitlement and Acceptance Form(s) – The Rights Issue entitlement and acceptance form accompanying this Prospectus for Eligible Shareholders

Eureka, Eureka Capital Partners – Eureka Capital Partners Ltd

Existing Share(s) – The 125,127,220 ordinary Shares in Ballarat Goldfields on issue

Issues – The issue of a total of a minimum 265,127,220 and a maximum of 300,127,220 New Shares pursuant to this Prospectus

Listing Rules – The ASX Listing Rules

Maximum Allocation – The allotment and issue of a maximum of 175,000,000 Shares in terms of the Public Issue.

Minimum Subscription – The subscription for a minimum of 140,000,000 Shares under the Public Issue

New Shares – Ordinary shares in Ballarat Goldfields to be issued pursuant to this Prospectus

Non-Renounceable Issue – The entitlements of Eligible Shareholders under the Rights Issue may not be traded or transferred

Offers – Offer of New Shares to the Eligible Shareholders under the Rights Issue and to the Applicants under the Public Issue pursuant to this Prospectus

Opening Date – 2 September 2002, the date from which Entitlement and Acceptance Forms as well as Application Forms will be accepted

Ore Reserve(s) – The portion of a mineral deposit that can be profitably mined.

Oz – Ounces of gold

Oztrak – Oztrak Group Pty Ltd and its subsidiaries

Oztrak Business – The technology business of Oztrak Group Pty Ltd and its subsidiaries

Public Issue – The general offer to subscribe for 140,000,000 New Shares at 2.5 cents per share, pursuant to this Prospectus with the Company reserving its right to accept over subscriptions of up to 35,000,000 New Shares.

Proposed New Directors – Means the persons whom it is proposed will join the Ballarat Goldfields Board and who have agreed to accept appointment as Directors, following the successful completion of the Issues, namely: Colin Smith, Richard Laufmann and Nicholas Mather

Prospectus – Means this Prospectus, dated 20 August 2002

Record Date – 29 August 2002, the date which determines Eligible Shareholders, being ordinary shareholders on that date

Register – The register of shareholders

Related Body (Bodies) Corporate – Any company in the Ballarat Goldfields group

Related Party (Parties) – A related person or body as defined in the Corporations Act

RFC, RFC Corporate Finance – RFC Corporate Finance Ltd

Rights Issue – The issue of 125,127,220 New Shares pursuant to this Prospectus

Shares – Fully paid ordinary shares in Ballarat Goldfields

Share Options – Options to subscribe for fully paid ordinary shares in Ballarat Goldfields on or before 30 September 2006 for 3.45 cents each

Shareholder(s) – The holders of Shares in Ballarat Goldfields

Shortfall – Any amount below the targeted issue of 125,127,220 New Shares under the Rights Issue as a result of Eligible Shareholders not taking up their entitlements

SRK Consulting, SRK - Steffen Robertson and Kirsten Australasia Pty Ltd, trading as SRK Consulting

Stope – An underground void caused by mining activity, usually in an ore zone

The Company, Ballarat Goldfields, BGF – Ballarat Goldfields NL

Underwriter – RFC Corporate Finance Ltd

Underwriting Agreement – The Underwriting Agreement dated 20 August 2002 between Ballarat Goldfields and RFC

Sub-Underwriter(s) – Parties with whom the Underwriter has entered into sub-underwriting agreements

Any times shown in this Prospectus are taken to be Australian Eastern Standard Time.

Pin cheque here (do not staple)

Application Form – Public Issue

REGISTRARS USE ONLY

Ballarat Goldfields NL

ACN 006 245 441

To meet the requirements of the Corporations Act, this Application Form must not be handed on unless attached to the Prospectus.

Broker's Stamp

Fill out this Application Form if you want to apply for Shares in Ballarat Goldfields NL

- Follow instructions overleaf to complete this Application Form
- Print clearly in capital letters using black or blue ink

Broker's Code

Adviser

A I/We apply for _____ Number of Shares in Ballarat Goldfields NL at $0.025 per Share or such lesser number of Shares which may be allocated to me/us by the Directors

B I/We lodge full application monies **A$** _____ **. 00**

C **Single/Joint Applicant No.1 - refer overleaf for correct forms of registrable title(s)**

Title | Given name(s) | Surname

Joint Applicant No.2 or account Designation

Title | Given name(s) | Surname

Joint Applicant No.3 or account Designation

Title | Given name(s) | Surname

D **Enter your postal address details - include State and Postcode**

Unit number | Street number | **or** | Post Office Box or other Mail Box details (if applicable)

Street Name

Suburb/City | State | Postcode

How to Complete the Public Issue Application Form

Please complete all relevant sections of the Application Form using BLOCK LETTERS

A Enter the **NUMBER OF SHARES** you wish to apply for.
Applications must be for the minimum of 20,000 Shares ($500) and thereafter in multiples of 4,000 shares ($100).

B Enter the **TOTAL AMOUNT** of application money payable.
To calculate this amount, multiply the number of shares applied for by A$0.025.

C Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s).
Refer to the **Name Standards** below for guidance on valid registration.

D Enter the **POSTAL ADDRESS** for all communications from Ballarat Goldfields NL. Only one address can be recorded.

E Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.

F If you are sponsored in CHESS by a stockbroker or other CHESS participant enter your Holder Identification Number (HIN) – optional.

G Enter the TAX FILE NUMBER(s) (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFN's is authorised by taxation laws. However, it is not compulsory to provide your TFN. Tax may be withheld from any dividend should you choose not to provide your TFN.

H Payment must be made in **Australian currency** and cheques must be drawn on an Australian bank or financial institution.
Cheques or bank drafts must be **payable to BALLARAT GOLDFIELDS NL** and crossed **Not Negotiable.**
Cheques not properly drawn may be rejected.
Cheques will generally be deposited on the day of receipt.

Forward your completed Application together with the Application Money to:

Ballarat Goldfields NL Share Offer
C/- Computershare Investor Services Pty Limited
GPO Box 52A
MELBOURNE VIC 3001

OR

Ballarat Goldfields NL Share Offer
C/- Computershare Investor Services Pty Limited
Level 12, 565 Bourke Street
MELBOURNE VIC 3000

IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROSPECTUS

The Corporations Act prohibits any person from passing on to another person the application form that was attached to the electronic copy of the Prospectus unless the application form is attached to a complete and unaltered copy of the electronic Prospectus.

Ballarat Goldfields NL will send you, at no charge, a paper copy of the electronic Prospectus if you ask for one during the offer period described in the Prospectus.

If you apply for shares on the basis of the application form attached to the electronic Prospectus, you are deemed to declare to Ballarat Goldfields that you received personally the electronic Prospectus, or a print out of it, attached to the application form before applying for shares.

Name Standards

Note that only legal entities are allowed to hold Shares. Applications must be in the name of a natural person or natural persons, company or other legal entity acceptable to Ballarat Goldfields NL. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partner's personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

Pin cheque here
(do not staple)

BALLARAT GOLDFIELDS NL

A.B.N. 006 245 441

Mark this box with an "X" if you have made any changes to your name or address details

Please return completed form to:

Ballarat Goldfields NL
C/- Computershare Investor Services Pty Limited
GPO Box 52A
MELBOURNE VIC 3001
Free Call: 1300 850 505
Overseas: 61 3 9615 5970
Facsimile: 61 3 9473 2529

RIGHTS ISSUE ENTITLEMENT AND ACCEPTANCE FORM

NON-RENOUNCEABLE RIGHTS ISSUE OF ONE SHARE FOR EVERY ONE SHARE HELD, CLOSING 5.00 PM MELBOURNE TIME ON 23 September 2002

Registered name and address for this holding

SECURITYHOLDER REFERENCE NUMBER

Fold Here

SUB-REGISTER	SHAREHOLDING AT 10.00 PM MELBOURNE TIME ON 29 August 2002	ENTITLEMENT OF SHARES ON A 1 FOR 1 BASIS	AMOUNT PAYABLE ON FULL ACCEPTANCE AT A$0.023 PER SHARE	ENTITLEMENT NUMBER

Non-Renounceable Rights Issue of approximately 125,127,220 new shares on the basis of one new share for every one fully paid share registered at 10.00pm on 29 August 2002 at an issue price of A$0.023 per new share payable in full on acceptance.

IMPORTANT:

- This document is of value and requires your immediate attention. If you do not understand it, you should consult your stockbroker or other professional adviser without delay.
- **Receipt of this completed form by 5.00 p.m. Melbourne time on 23 September 2002 with your remittance will** constitute acceptance in accordance with and subject to the terms and conditions of the Rights Issue set out in the Prospectus dated 20 August 2002

TO BE COMPLETED BY SHAREHOLDER

A Number of Shares accepted

B Amount enclosed at $0.023 per Share

$.

Fold Here

C Please complete the following payment details. Your cheque must be made payable to BALLARAT GOLDFIELDS NL in Australian currency.

Drawer	Bank	BSB No or Branch name	Amount enclosed at A$0.023 per Share

D Contact Details

Contact Name	Telephone Number – Business Hours	Telephone Number – After Houses
	( )	( )

E Signing is only required if you have made amendments to the address stated above See "General Instructions" on the reverse side of this form for signing requirements.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Director	Director/Company Secretary	Sole Director and Sole Company Secretary

BGF NRRI